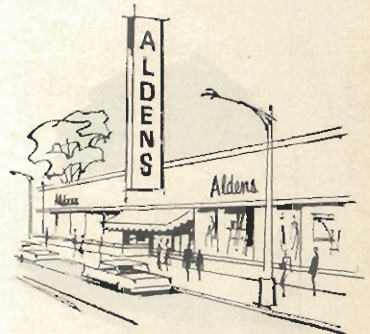
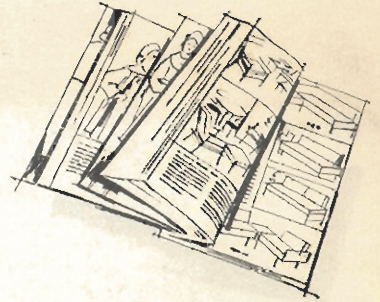


1964

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ALDENS

Annual Report

★ ★ ★ ★ ★ ★ ★ ★
OUR
75th
YEAR
1889-1964
★ ★ ★ ★ ★ ★ ★ ★

1964

McGILL UNIVERSITY

DIRECTORS

R. L. Arnheim,
Financial Consultant, Chicago

C. E. Butler,
Business Consultant

R. W. Jackson,
President, Aldens, Inc.

H. E. MacDonald,
President, Household Finance Corp.

H. V. McNamara,
*Director and Consultant, National Tea Co.,
Chicago*

M. A. Riskind,
*Partner, D'Ancona, Pflaum, Wyatt & Riskind,
Chicago*

Lawrence K. Schnadig,
President, Schnadig Corporation, Chicago

J. C. Staehle,
Vice President, Aldens, Inc.

Alvin D. Star,
Consultant

H. J. Stentiford,
Vice President, Aldens, Inc.

W. P. Wiseman,
Senior Vice President, Chicago Title & Trust Co.

G. R. Worley,
Vice President & Treasurer, Aldens, Inc.

OFFICERS

R. W. Jackson, *President*

Murray B. Rae, *Vice President*

R. E. Riley, *Vice President*

J. C. Staehle, *Vice President*

H. J. Stentiford, *Vice President*

G. R. Worley, *Vice President & Treasurer*

Perry Jones, *Ass't Vice President*

J. A. Gross, *Secretary*

R. N. Friedlander, *Assistant Secretary*

SECURITIES INFORMATION

Transfer Agent—Common Stock
Morgan Guaranty Trust Company of New York

Registrar—Common Stock
The Chase Manhattan Bank

Transfer Agent—Preferred Stock
The First National City Bank of New York

Registrar—Preferred Stock
Bankers Trust Company of New York

Trustee—5% Convertible Debentures,
The Chase Manhattan Bank

Trustee—5 $\frac{1}{8}$ % Sinking Fund Debentures,
The First National Bank of Chicago

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, 5% Convertible
Debentures and 5 $\frac{1}{8}$ % Sinking Fund Debentures
Listed on New York Stock Exchange

★ ★ ★ ★ ★ ★ ★ ★
**OUR
75th
YEAR**
1889-1964
★ ★ ★ ★ ★ ★ ★ ★

We are proud to have served the American public faithfully for 75 years—first as Chicago Mail Order Company, and as Aldens, Inc. since 1946. Our 1917 catalog pictured below presented an array of fur muffs, ostrich

boas, high button shoes, and over-stuffed hats—quaint by 1964 standards but ultra-fashionable during World War I. Titled "Your Bargain Book and Style Guide," it accurately mirrored, and catered to, the needs of thousands of American families.

As the tastes and preferences of the American public changed with the years, so did subsequent catalogs. Each year the assortment of merchandise expanded, the illustrative and printing techniques became more sophisticated, the number of pages mul-

tiplied. But whether the year was 1910, 1935, or 1960, the catalog's contents offered the public precisely what it wanted, needed, or desired at that particular time.

Twenty-five years from now, on our 100th Anniversary, today's catalog will bring a smile to the lips of another generation. But even as they smile, they will turn with assurance to the then current Aldens catalog to select from vast arrays of merchandise that will continue unerringly to reflect contemporary tastes.



TO OUR SHAREHOLDERS



ANNUAL MEETING The annual meeting of the shareholders of Aldens, Inc. will be held at the offices of the company, 5000 West Roosevelt Road, Chicago, Illinois, on Tuesday, May 26, 1964, at 2:00 P. M. The notice of the meeting and proxy material will be mailed to shareholders on or about April 28, 1964.

For eight consecutive years it was our privilege to report to you earnings higher than for the previous year. This long record of consistently increasing profits was broken in 1963 when, as we met strongly increased competition, our costs of advertising and new customer promotions rose sharply and our gross margins were reduced.

In our Mail Order Division we became more aggressive in our direct mail credit sales promotions to meet this competition, increasing such mailings by some 60% and pricing our featured merchandise unusually low to encourage the opening of new accounts.

The success of this merchandising program is evidenced by our sales increases and by the growth of our credit customer list. Thus, though our profits reflect these additional costs, we accomplished our two most important objectives—we maintained our position in the market, and we laid the foundation for future profitable growth through our increased customer list.

Each Division of our business—mail order, conventional retail stores, and Shoppers World self-service discount stores—operated at a profit in 1963, and each Division has begun well in the new year. We are particularly pleased with our sales and profit increases in the Mail Order Division in these first few weeks of fiscal 1964, which indicate that our big spring catalog has found excellent consumer acceptance.

In the charts which picture our progress in recent years, the line has moved steeply upward. We are confident that again, beginning with the new fiscal year, the line will resume its steady march toward new highs for your company.

In February, 1964, Gamble-Skogmo, Inc. purchased approximately a million shares of our common stock, representing about 50% of our total outstanding shares. We appreciate the confidence in our company which a purchase of this size indicates, and welcome Mr. Bert Gamble and Gamble-Skogmo, Inc. as a major shareholder of Aldens stock.

We celebrate our 75th anniversary in 1964—a time for looking forward as well as looking back. We look forward to expansion in every Division of Aldens in the years ahead, to profitable growth. We look back to the growth we have already enjoyed, to sales which have more than doubled in the past ten years, and profits which have more than tripled in the same period.

My warm thanks are extended to our employees, our management, our directors, our suppliers, and to the many others who have given their loyalty and support through the years.

Sincerely,

A handwritten signature in dark ink that reads "Rufus Jackson". The signature is written in a cursive, flowing style.

President

★ ★ ★ ★ ★
**OUR
75th
YEAR**
1889-1964
★ ★ ★ ★ ★



Our building at 5000 West Roosevelt Road, Chicago, is one of the most modern mail order plants in the country. Its area of 658,000 square feet houses our executive offices, buying offices, clerical operations, hard lines plant and warehouse. The attractive building below is our new catalog sales store in Des Moines, Iowa.



HIGHLIGHTS

		1963	1962
OPERATING RESULTS	Net Sales	\$193,892,402	\$183,967,344
	Net profit before taxes	8,101,033	10,303,208
	Net profit after taxes	4,029,033	5,163,208
PER COMMON SHARE	Earnings	1.93	2.38
	Dividends Declared		
	Cash	1.00	.85
	Stock	3%	3%
	Equity (Book Value)	19.04	18.40
AT YEAR-END	Working Capital	99,929,805	99,291,945
	Merchandise Inventories	25,890,130	23,505,081
	Accounts Receivable	103,323,490	89,917,305
	Ratio of Current Assets to Current Liabilities	3.64	5.20
SHARES OUTSTANDING AT YEAR-END	Common	1,978,245	2,028,526
	4½% Cumulative Preferred	22,135	22,575
	Convertible Second Preference	2,666	2,673
	Number of Common Shareholders	7,000	6,100
	Number of Catalog Sales Stores and Offices	106	95
	Number of Retail Department Stores	18	17
	Number of Shoppers World Discount Stores	13	13

See 10 year performance record on page 12.

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**OUR
75th
YEAR**
1889-1964
★ ★ ★ ★ ★

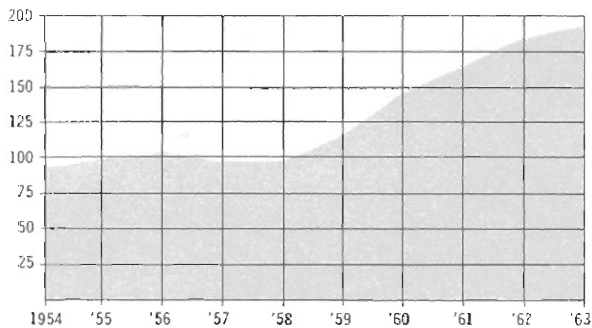
Aldens



THE YEAR IN REVIEW

SALES

Millions of Dollars

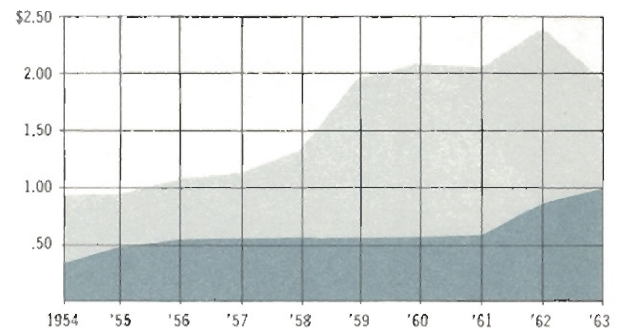


EARNINGS AND DIVIDENDS

per common share

Earnings ■ Dividends

Dollars



All years adjusted for stock dividends and stock distributions. Does not include \$.21 per share from 1959 non-recurring special credit.

SALES—Consolidated sales for the year 1963 totalled \$193,892,402, representing an increase of 5% over last year's sales of \$183,967,344, and again establishing a new record. While our sales volume increased throughout the year, the greatest increases were realized in our fourth quarter, with a strong upward trend continuing into the new year.

EARNINGS—Consolidated profit before federal taxes on income for fiscal 1963 amounted to \$8,101,033. This compares with \$10,303,208 last year. After provision for federal taxes, consolidated net profit for the year was \$4,029,033, compared with \$5,163,208 for the previous year.

Profit per common share, after preferred and second preference dividends, was \$1.93, which compares with \$2.38 in 1962.

From our soft lines plant and warehouse at 511 South Paulina Street, Chicago, thousands of packages are shipped each day to our customers in every part of the country. In 1963 more than 35,000,000 pieces of merchandise were sent out by our Mail Order Division, much of it shipped the same day the order was received.

Our profits gained momentum in the fourth quarter, as we began to realize the results of the strong promotional program of the early months of the year. Through the third quarter our earnings per share showed a decrease of more than 30% in comparison with last year, but in the fourth quarter this decrease narrowed to less than 10%. While we are disappointed in our profit performance for 1963, we are pleased to note that our earnings have continued to accelerate in the first few weeks of 1964, and both sales and profits give every indication of resuming the upward trend which characterized our operations for the previous eight years.

DIVIDENDS—The year 1963 marks the 30th consecutive year in which Aldens has paid dividends. Cash dividends per common share were paid at the quarterly rate of \$.25, or \$1.00 annually, which compares with \$.85 paid during the previous year. The annual cash dividend rate on our cumulative preferred stock is \$4.50.

On January 1, 1964 a 3% common

stock dividend was also paid. This compares with the 3% common stock dividend which was paid as of the same date last year. This is the sixth consecutive year in which we have taken stock action to extend to our shareholders increased participation in the profits of the company.

CREDIT SALES AND ACCOUNTS—Our strongest promotions during the year were in credit sales, for it is here that we believe we build most solidly for our future growth. Since a credit customer buys annually about three times as much as a cash or C.O.D. customer, and stays with us far longer, we feel that our promotional dollars bring the greatest return in the area of credit.

The success of our promotional program is demonstrated by the growth of active accounts in our Mail Order Division to 839,000 from last year's 755,000. The ratio of credit sales to total sales is 56%, which compares with last year's 53%. Total accounts receivable rose 15% to a new high of \$103,323,490.

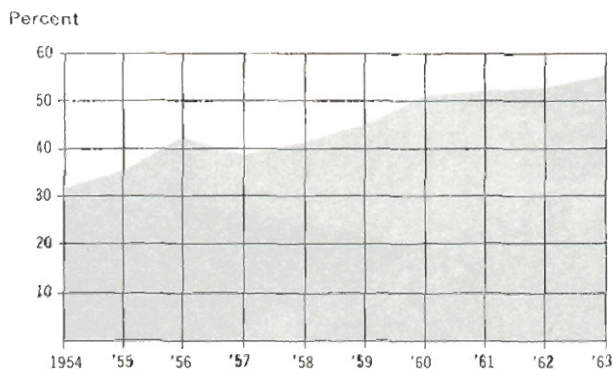
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**OUR
75th
YEAR**
1889-1964
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ROSHEK'S

Resneks in Dubuque, Iowa, is the newest addition to our conventional Retail Store Division. Each of the eighteen junior department stores which make up this Division is a well established, quality store, with a long tradition of service to its community.



% CREDIT SALES TO TOTAL SALES
Mail Order Division



In 1962 we began to offer credit in our Shoppers World self-service discount stores, and we have also arranged to add to our customers' accounts premiums on insurance purchased from our subsidiary, John Alden Life Insurance Company. Our credit sales are growing in both of these areas.

We continue to maintain the caliber of our credit accounts at a very satisfactory level, and their collectibility also continues to be satisfactory. As has been our policy, we have provided what we believe to be adequate bad debt reserves.

FINANCING—In view of our growing customer accounts receivable, we have recently completed additional long-term financing with a group of insurance companies, substantially the same as those with whom we have previously placed such financing. Twenty-year senior notes in the amount of \$10,000,000 will mature in April, 1984, and \$5,000,000 of senior subordinated notes will mature in April, 1985.

INVENTORIES AND COMMITMENTS

—Merchandise inventories at January 31, 1964 totalled \$25,890,130, compared with \$23,505,081 last year. This increase of 9% is attributable to the larger inventory required to service a greater volume of sales, to the addition of the retail store which was purchased at the beginning of the year, and also to "trading-up" in the quality of our merchandise.

Merchandise commitments at year-end were \$9,018,087 compared with \$3,246,537 last year, reflecting principally the earlier Easter season, but providing also for the earlier mailing of some of our spring media by our Mail Order Division, increased circulation of some of our mailings, and a greater number of catalog pages.

To meet our needs for additional space to handle our larger inventories, a warehouse was purchased during the year at 1916 South Laramie Avenue, Cicero, Illinois. This provides an additional 250,000 square feet of operating space.

As is our practice, all goods were inventoried at January 31, 1964 on the

basis of cost or market, whichever was lower.

RETAIL DEPARTMENT STORE DIVISION

—This Division turned in an excellent performance in 1963, reaching a new record in sales and producing profit margins in excess of generally accepted standards of satisfactory retail operation.

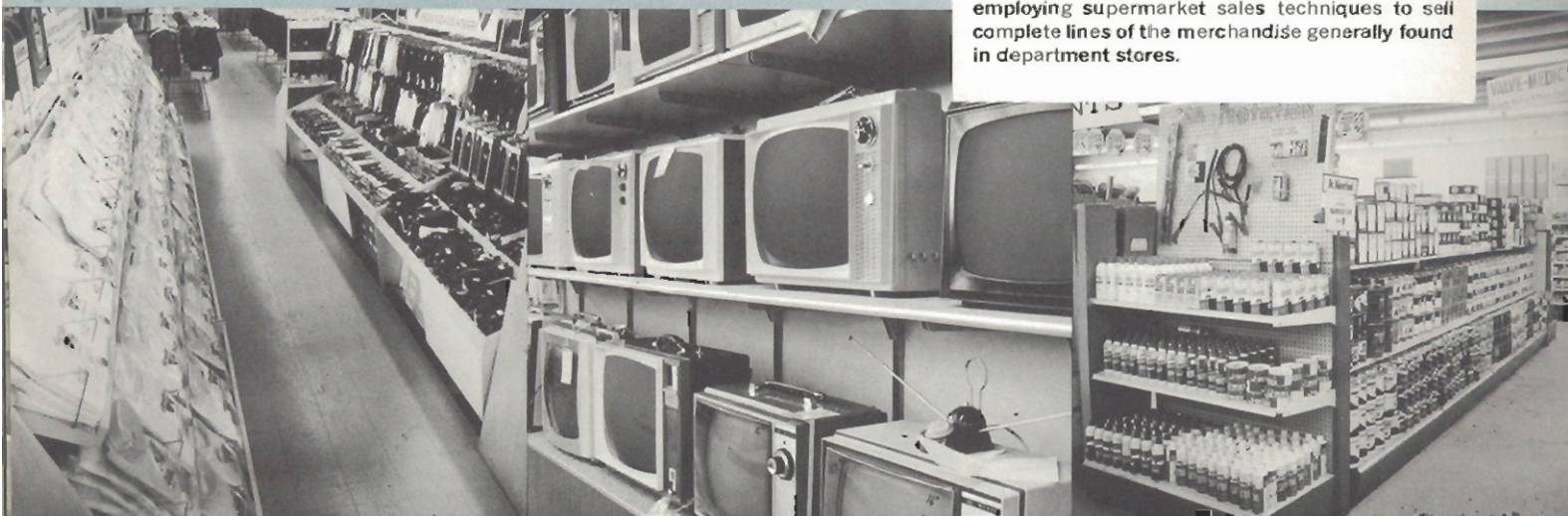
At the beginning of 1963 we purchased B. Peck Company in Lewiston, Maine, and as of February 1, 1964, we purchased Roshok Brothers Co. in Dubuque, Iowa, bringing the total number of stores in this Division to eighteen. Both of these are quality stores, well established. Peck's produces annual sales of approximately \$2,000,000, and Rosheks will add another \$5,000,000 to our annual sales volume.

Expansion in this Division is accomplished through the purchase of additional well established stores. We hope to continue to acquire such stores, and are actively seeking those which meet our requirements.

★ ★ ★ ★ ★ ★ ★ ★ ★ ★
**OUR
75th
YEAR**
1889-1964
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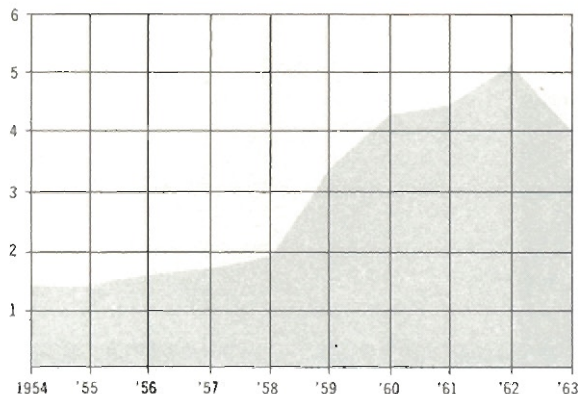
Shoppers World self-service discount stores feature convenient shopping and unusual values, employing supermarket sales techniques to sell complete lines of the merchandise generally found in department stores.



THE YEAR IN REVIEW

NET INCOME (After Federal Income Taxes)

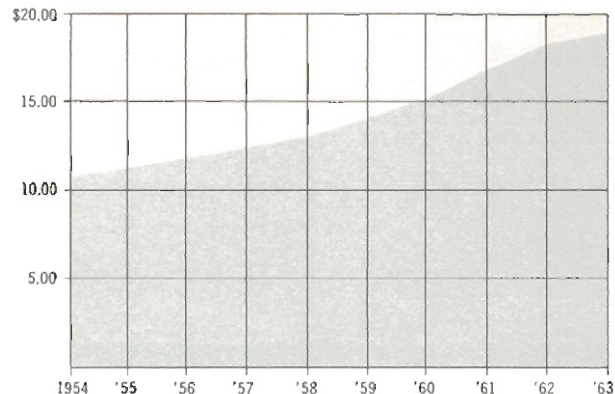
Millions of Dollars



Does not include 1959 non-recurring special credit of \$460,000.

BOOK VALUE (Equity) per common share

Dollars



All years adjusted to reflect stock distributions and stock dividends.

SHOPPERS WORLD SELF-SERVICE DISCOUNT STORES—Thirteen stores comprise this Division, all but two in the Chicago area. While the Division operated at a modest profit last year, neither sales nor earnings reached our early projections for the year's performance.

We plan no new openings for 1964, but are presently negotiating a lease for an additional store to be opened in Chicago early in 1965, and are also alert to the opportunity to add other good locations.

The competition in the discount field has heightened year by year, seemingly reaching its peak in this area in 1963. Our organization has gained valuable experience in meeting this competition and in handling this type of retail distribution. We are confident that with our strengthened management personnel, our merchandising program for Shoppers World will bring us growth and greater profitability in this Division.

CATALOG SALES STORES AND TELEPHONE OFFICES—Successful expansion was accomplished in this area of our mail order operation during the year. Eleven locations were added to bring the total to 106. Sales rose 14%, and the number of active credit accounts increased 9%. These catalog sales stores and offices produced 18% of our total mail order sales in 1963.

One of the new openings during the year was our Des Moines, Iowa, catalog sales store, which was constructed to our own plans—a free standing unit, with ample parking space, apart from any other shopping complex. Architecturally, the building is an attractive addition to the residential community which surrounds it. We are pleased with the sales volume this unit has produced in its first few months, and hope to use it as a pattern for additional sites.

JOHN ALDEN LIFE INSURANCE COMPANY—This subsidiary, which began by offering life insurance to our customers with our June, 1961 mailings, has shown excellent progress. At the end of fiscal 1963 John Alden Life Insurance Company had more than \$12,000,000 of life insurance in force. In addition, travel accident insurance and weekly hospitalization insurance which were added more recently have been very successfully offered to our customers. Many of our customers pay their insurance premiums as a part of their regular credit accounts.

TREASURY STOCK—During October and November of 1963 we purchased 108,300 shares of our Common Stock in the open market. This stock will be retained in the treasury for use by the

company for any proper corporate purpose.

"CONFLICT OF INTEREST" SURVEY—It continues to be the policy of your company, in all phases of its operation, to do its purchasing through a fully controlled and carefully checked system of competitive bidding whenever and wherever possible. Our recent annual survey of all executives shows no deviation from this policy, and discloses no conflict of interest among our key personnel.

SOURCE AND DISTRIBUTION OF FUNDS—1963

FUNDS WERE ACQUIRED FROM:

Net income.....	\$4,029,033
Depreciation and amortization of plant and equipment.....	1,248,047
Deferred Federal income tax.....	3,500,000
	<u>\$8,777,080</u>

FUNDS WERE DISTRIBUTED TO:

Dividends to shareholders.....	\$2,212,730
Expenditures for plant and equipment.....	1,417,515
Payment of long term debt.....	920,000
Purchase of 440 shares of the company's Preferred stock.....	41,322
Purchase of 108,300 shares of the company's Common stock.....	2,535,464
Investment in and advances to unconsolidated subsidiaries.....	954,786
Miscellaneous.....	57,403
Net increase in working capital.....	637,860
	<u>\$8,777,080</u>



FOR THE YEAR	1963	1962	1961	1960(3)	1959	1958	1957	1956	1955	1954
Net Sales	\$193,892,402	\$183,967,344	\$164,474,895	\$145,531,505	\$114,682,148	\$98,419,644	\$97,905,259	\$102,371,843	\$97,352,388	\$90,505,270
Net Profit before Taxes	8,101,033	10,303,208	8,557,207	8,445,712	5,861,931	3,772,028	3,506,204	3,453,447	2,719,644	2,687,063
Percentage of Pre-Tax Profit to Sales	4.2%	5.6%	5.2%	5.8%	5.1%	3.8%	3.6%	3.4%	2.8%	3.0%
Federal Taxes on Income	4,072,000	5,140,000	4,156,000	4,141,682	2,482,000(1)	1,850,000	1,800,000	1,865,000	1,300,000	1,268,159
Net Profit after Federal Taxes	4,029,033	5,163,208	4,401,207	4,304,030	3,379,931(1)	1,922,028	1,706,204	1,588,447	1,419,644	1,418,904
Capital Expenditures	1,417,515	2,202,112	2,300,229	1,744,183	945,982	233,682	245,897	1,295,791	1,154,311	478,339
Depreciation and Amortization	1,248,047	1,087,532	873,416	696,795	536,029	581,038	602,954	549,930	422,079	374,320
AT YEAR-END										
Net Accounts Receivable (including sold accounts)	103,323,490	89,917,305	80,153,411	64,725,368	44,624,706	32,657,708	30,122,181	30,518,216	24,886,336	21,155,656
Merchandise Inventories	25,890,130	23,505,081	19,282,159	17,547,384	14,575,142	12,218,131	14,378,779	13,624,559	13,070,913	11,180,664
Working Capital	99,929,805	99,291,945	75,934,180	58,419,675	32,916,332	24,700,352	24,452,754	23,574,851	23,885,640	20,836,573
Excess of Liquid Assets (cash and net accounts receivable) over Current Liabilities	69,275,300	71,093,963	52,168,062	36,259,348	14,740,954	9,259,161	6,871,693	6,602,172	7,256,460	6,883,257
Percent of Excess	183%	301%	168%	111%	82%	77%	42%	37%	34%	42%
Net Worth	42,055,569	42,814,008	39,560,390	34,551,520	26,633,848	21,109,580	20,077,557	19,273,398	18,591,062	18,049,635
Short-term Debt	22,500,000	8,000,000	15,800,000	18,951,260	8,610,000	4,639,100	9,500,000	11,600,000	15,100,000	10,750,000
Long-term Debt	57,881,000	58,803,100	42,206,900	30,685,739	11,537,000	8,391,704	8,886,258	9,489,442	9,935,648	6,500,000
Ratio of Current Assets to Current Liabilities	3.64	5.20	3.44	2.78	2.82	3.06	2.50	2.34	2.13	2.26
PER COMMON SHARE DATA										
Adjusted for stock distributions and stock dividends										
Earnings (2)	1.93	2.38	2.03	2.08	1.96(1)	1.31	1.14	1.06	.94	.93
Cash dividends declared	1.00	.83	.58	.55	.54	.53	.53	.53	.46	.31
Equity (book value) (2)	19.04	18.40	16.88	15.16	14.29	13.29	12.49	11.83	11.27	10.82
Stock dividends declared	3%	3%	100%	5%	3%	2%	—	—	10%	50%

(1) Includes non-recurring special credit of \$460,000, equivalent to \$.21 per Common Share.

(2) Based on number of shares outstanding at end of each fiscal year.

(3) The year 1960 has been restated to give retroactive effect to the pooling of interests with Greatway Corporation in 1961.

ALDENS CONSOLIDATED BALANCE SHEET



ASSETS *January 31,*

CURRENT ASSETS:

	1964	1963
Cash resources.....	\$ 3,785,204	\$ 4,822,627
Accounts receivable—		
Customers installment accounts.....	\$106,868,678	\$ 92,960,048
Other customers accounts.....	1,291,780	1,142,357
Miscellaneous accounts	928,480	820,685
	<u>\$109,088,938</u>	<u>\$ 94,923,090</u>
Less—Reserve for doubtful accounts.....	5,765,448	5,005,785
	<u>\$103,323,490</u>	<u>\$ 89,917,305</u>
Inventories (at lower of cost or market).....	\$ 26,791,532	\$ 24,503,803
Advances on catalogs and expenses.....	\$ 3,862,973	\$ 3,694,179
Total current assets.....	<u>\$137,763,199</u>	<u>\$122,937,914</u>

OTHER ASSETS:

Investment in and advances to unconsolidated subsidiaries (Note 1).....	\$ 2,242,703	\$ 1,287,917
Sundry	947,885	890,538
	<u>\$ 3,190,588</u>	<u>\$ 2,178,455</u>

FIXED ASSETS:

Real estate, leasehold improvements and equipment (at cost).....	\$ 14,638,500	\$ 13,754,251
Less—Reserves for amortization and depreciation.....	6,242,324	5,527,543
	<u>\$ 8,396,176</u>	<u>\$ 8,226,708</u>
	<u>\$149,349,963</u>	<u>\$133,343,077</u>



LIABILITIES AND CAPITAL *January 31,*

CURRENT LIABILITIES:

	1964	1963
Notes payable.....	\$ 22,500,000	\$ 8,000,000
Current installments on long term debt.....	920,000	920,000
Merchandise and expense accounts payable.....	5,660,164	5,912,844
Due customers.....	1,732,676	1,500,952
Accrued federal and state taxes (Note 2).....	2,702,315	2,393,651
Other liabilities.....	4,318,239	4,918,522
Total current liabilities.....	<u>\$ 37,833,394</u>	<u>\$ 23,645,969</u>

LONG TERM DEBT (Note 3).....	<u>\$ 56,961,000</u>	<u>\$ 57,883,100</u>
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FEDERAL INCOME TAX DEFERRED (Note 2).....	<u>\$ 12,500,000</u>	<u>\$ 9,000,000</u>
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CAPITAL:

Capital stocks (Note 4)—		
4½% Preferred stock, cumulative, \$100 par.....	\$ 2,513,500	\$ 2,629,000
Convertible second preference stock, no par.....	845,991	848,212
Common stock, \$5 par.....	10,444,625	10,154,530
Capital in excess of par values.....	10,466,727	9,527,241
Retained earnings (Note 5).....	20,628,416	20,022,595
	<u>\$ 44,899,259</u>	<u>\$ 43,181,578</u>
Less—Treasury stock (at cost).....	2,843,690	367,570
	<u>\$ 42,055,569</u>	<u>\$ 42,814,008</u>
	<u>\$149,349,963</u>	<u>\$133,343,077</u>

STATEMENT OF CONSOLIDATED INCOME



Fiscal Year Ended January 31,

	1964	1963
NET SALES	\$193,892,402	\$183,967,344
OTHER INCOME (Net)	420,815	310,257
Total	\$194,313,217	\$184,277,601
COSTS AND EXPENSES:		
Cost of goods sold (including publicity, occupancy and buying expenses)	\$156,305,441	\$146,135,481
Selling, general and administrative expense (net of installment account service charges)	22,108,471	20,565,519
Maintenance and repairs	500,607	508,276
Depreciation and amortization	1,248,047	1,087,532
Social security, property and sundry taxes	2,422,488	2,173,108
Interest expense	3,627,130	3,504,477
Total costs and expenses	\$186,212,184	\$173,974,393
INCOME BEFORE PROVISION FOR FEDERAL TAXES ON INCOME	\$ 8,101,033	\$ 10,303,208
PROVISION FOR FEDERAL TAXES ON INCOME (Note 2)	4,072,000	5,140,000
NET INCOME FOR YEAR	\$ 4,029,033	\$ 5,163,208

AUDITORS' OPINION

To the Shareholders and Board of Directors,
Aldens, Inc.:

In our opinion, the accompanying financial statements, together with the notes thereto, present fairly the financial position of Aldens, Inc. and its consolidated subsidiaries at January 31, 1964 and the results of their operations for the fiscal year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination of these statements was 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.

Chicago, Illinois
March 16, 1964

David Hummelblau & Co.

Certified Public Accountants

STATEMENT OF CONSOLIDATED RETAINED EARNINGS



Fiscal Year Ended January 31.

	1964	1963
BALANCE AT BEGINNING OF YEAR.....	\$20,022,595	\$18,555,988
NET INCOME FOR YEAR.....	<u>4,029,033</u>	<u>5,163,208</u>
	<u>\$24,051,628</u>	<u>\$23,719,196</u>
DIVIDENDS PAID:		
Cash dividends—		
Common stock.....	\$ 2,001,849	\$ 1,672,401
Convertible second preference stock.....	110,023	91,858
Preferred stock.....	<u>100,858</u>	<u>103,715</u>
	\$ 2,212,730	\$ 1,867,974
Market value of common shares issued as dividend on common stock (credited to capital stock and capital in excess of par values).....	<u>1,210,482</u>	<u>1,828,627</u>
	<u>\$ 3,423,212</u>	<u>\$ 3,696,601</u>
BALANCE AT END OF YEAR.....	<u>\$20,628,416</u>	<u>\$20,022,595</u>

CAPITAL IN EXCESS OF PAR VALUES

BALANCE AT BEGINNING OF YEAR.....	\$ 9,527,241	\$ 7,902,963
ADD:		
Credits arising from conversion of the following into common stock of the Company—		
Convertible subordinated debentures.....	1,600	62,533
Convertible second preference stock.....	781	4,691
Excess of par value over cost of preferred shares cancelled.....	14,833	23,850
Excess of market value over par value of common shares issued as a dividend on common stock (from retained earnings).....	<u>922,272</u>	<u>1,533,204</u>
BALANCE AT END OF YEAR.....	<u>\$10,466,727</u>	<u>\$ 9,527,241</u>

NOTES TO FINANCIAL STATEMENTS

(1) The consolidated financial statements include all subsidiaries except the wholly owned (a) real estate subsidiaries whose combined balance sheet is summarized below and (b) the life insurance subsidiary which does not yet constitute a significant subsidiary. Investment in unconsolidated subsidiaries is stated at the amount of their net assets and their undistributed earnings of \$209,247 at January 31, 1964 is included in consolidated retained earnings at that date.

ASSETS

Cash and U.S. Government securities.....		\$ 459,411
Deferred charges.....		28,427
Properties, at cost:		
Land	\$ 697,605	
Buildings and equipment less \$1,669,640 depreciation.....	<u>4,102,848</u>	4,800,453
		<u>\$ 5,288,291</u>

LIABILITIES AND CAPITAL

Current liabilities.....		\$ 266,959
Due to Aldens, Inc.....		893,456
First mortgage loans less current installments included above (see note 3).....		3,278,573
Capital:		
Capital stock.....	\$ 690,000	
Retained earnings.....	<u>159,303</u>	849,303
		<u>\$ 5,288,291</u>

(2) Federal income tax returns of Aldens, Inc. and its subsidiaries have been reviewed by the Internal Revenue Service through January 31, 1961.

Consistent with prior years, the statement of consolidated income was prepared on the accrual basis, whereas income arising from installment sales is reported on the installment basis for federal income tax purposes. As a result, income taxes of \$12,500,000 at January 31, 1964 will not be payable until future years.

(3) Long term debt at January 31, 1964 consisted of the following:

Promissory notes—5 ³ / ₄ %, due 1964-1976.....		\$12,320,000
Promissory notes—5 ¹ / ₄ %, due 1964-1976.....		7,920,000
Promissory notes—5 ¹ / ₂ %, due 1965-1980.....		10,000,000
Sinking fund debentures—5 ³ / ₈ %, due 1971-1981.....		15,000,000
Senior subordinated notes—5 ⁷ / ₈ %, due 1968-1982.....		7,600,000
Convertible subordinated debentures—5%, due 1966-1980.....		<u>5,041,000</u>
		\$57,881,000
Less—Installments due currently.....		<u>920,000</u>
		<u>\$56,961,000</u>

Minimum annual payments on the foregoing debt in each of the next five years aggregate: 1964—\$920,000, 1965—\$1,830,000, 1966—\$2,180,000, 1967—\$2,180,000 and 1968—\$2,560,000.

Subordinated debentures were convertible into common stock of the Company at \$22.48 per share at January 31, 1964.

Mortgage loans of unconsolidated real estate subsidiaries at January 31, 1964 consisted of (a) \$3,260,000 of 4¹/₂% sinking fund bonds due quarterly to April 1, 1976 and (b) \$243,321 balance of 5¹/₂% installment note due monthly to August 10, 1976. Land and buildings of the real estate subsidiaries carried at a net cost of \$3,894,192 are leased to the Company under long term leases. The leases, land and buildings are pledged under the mortgages.

(4) Shares of capital stock authorized, issued and held in treasury at January 31, 1964 were as follows:

	Authorized	Issued	Treasury
Preferred stock—4 ¹ / ₂ %.....	25,135	25,135	3,000
Second preference stock.....	3,947	2,666.45	—
Common stock.....	3,000,000	2,088,925	110,680

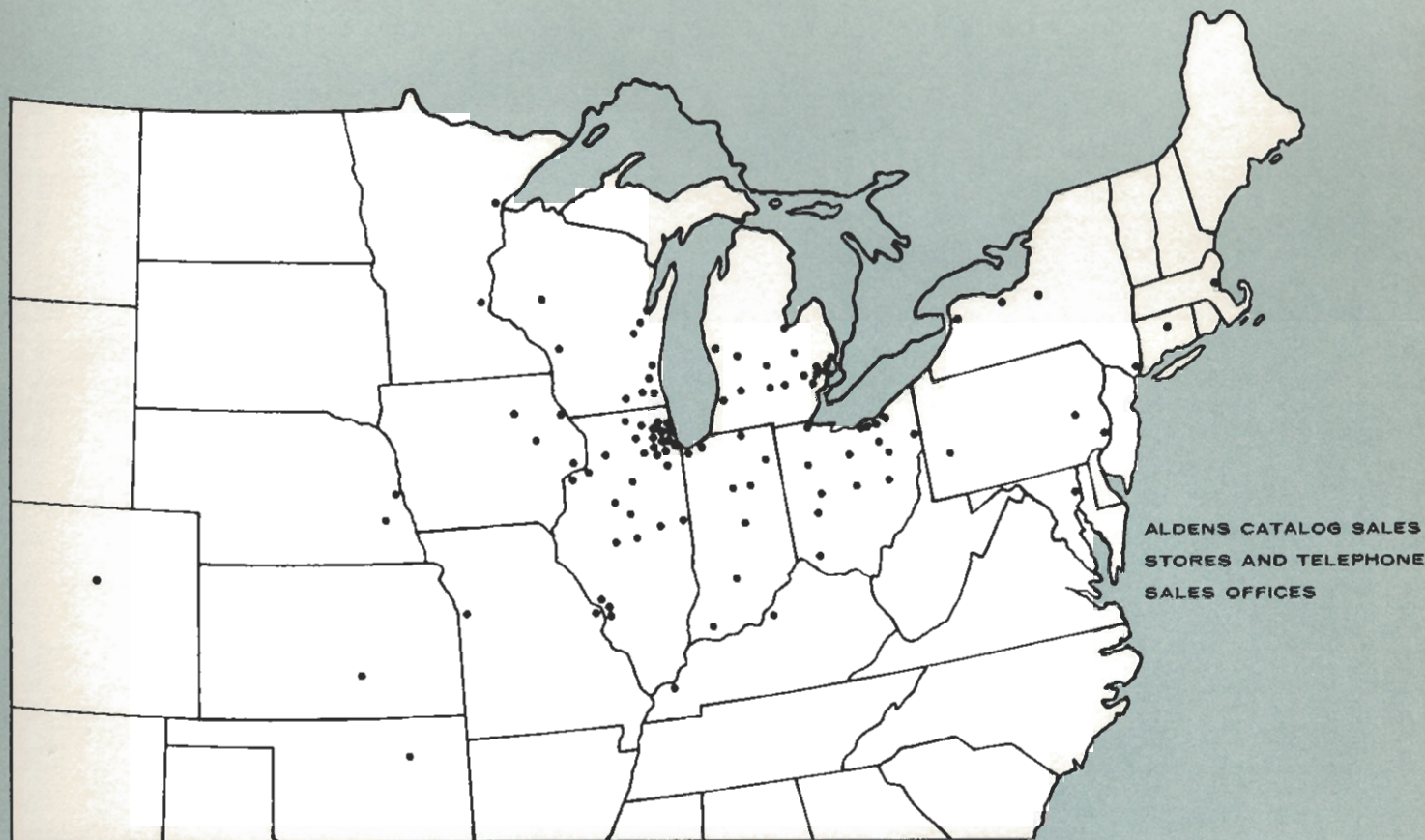
Preferred stock is subject to annual sinking fund retirement of \$100,000.

Each share of convertible second preference stock is currently convertible into 42.37 shares of common stock, and is entitled to receive cumulative preferential dividends of \$24.00 per annum. In addition, these shares are entitled to participate in dividends declared on the common stock (other than dividends payable in common stock) to the extent that such dividends per common share exceed the preferential dividend rate divided by the conversion rate.

(5) Under terms of the loan agreements covering long term debt and the Articles of Incorporation covering the 4¹/₂% preferred stock certain restrictions are placed upon the payment of dividends other than stock dividends. Approximately \$5,250,000 of retained earnings was not restricted under the above provisions at January 31, 1964.

(6) Leases (other than intercompany leases) extending beyond three years from January 31, 1964 require annual rental of approximately \$1,560,000 plus, in some cases, real estate taxes and other expenses or increased amounts based on percentages of sales.

ALDENS LOCATIONS:



ALDENS CATALOG SALES
STORES AND TELEPHONE
SALES OFFICES

ALDENS OFFICES

EXECUTIVE OFFICES
BUYING OFFICES
CLERICAL OPERATIONS
HARD LINES PLANT & WAREHOUSE

5000 Roosevelt Road,
Chicago, Illinois

SOFT LINES PLANT & WAREHOUSE

511 South Paulina Street,
Chicago, Illinois

SOFT LINES WAREHOUSES

600 West Fulton Street,
Chicago, Illinois

1916 South Laramie Avenue,
Cicero, Illinois

NEW YORK BUYING OFFICE

200 Madison Avenue,
New York, New York

ALDENS RETAIL STORES

ARKANSAS

Texarkana (Dillard's)

ILLINOIS

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

INDIANA

Bedford
Bloomington
Frankfort
Terre Haute
Vincennes (Gimbel-Bond)

IOWA

Dubuque (Rosheks)
Iowa City

KENTUCKY

Bowling Green (Pushin's)
Owensboro (McAtee's)

MAINE

Lewiston (Peck's)

MICHIGAN

Port Huron (Sperry's)

PENNSYLVANIA

Uniontown (Kaufman's)

SHOPPERS WORLD SELF-SERVICE DISCOUNT STORES

5275 and 5308 North
Milwaukee Avenue, Chicago

5940 West Cermak Road,
Cicero, Illinois

8800 West North Avenue,
Melrose Park, Illinois

8301 Wicker Park Blvd.,
Highland, Indiana

9639 South Cicero Avenue,
Oak Lawn, Illinois

9301 North Milwaukee Avenue,
Niles, Illinois

6125 East Melton Road,
Gary, Indiana

1333 Western Avenue
Chicago Heights, Illinois

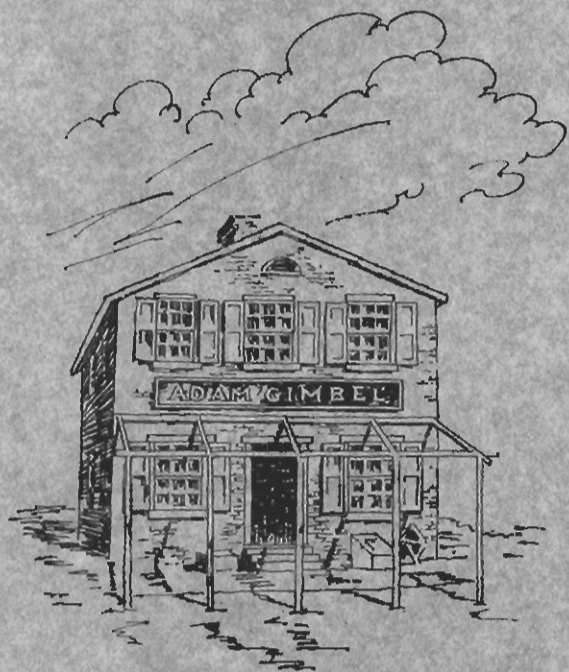
Highway 51 and Pershing Road,
Decatur, Illinois

6211 North Lincoln Avenue,
Chicago, Illinois

5601 South Cicero Avenue,
Chicago, Illinois

201 West Rand Road,
Mount Prospect, Illinois

1441 East Magnolia Avenue,
St. Paul, Minnesota



Our Retail Department Store Division has been built through the years by the purchase of well established retail stores, usually the dominant store in the area—each with a long history of service to its community. It is always our policy to continue to be a part of the community, to offer the same service to our new neighbors with the same organization they have grown to rely upon.

As these stores join the Aldens family, their history becomes a part of our own, and we are as proud to point to their early origins, several of which pre-date our own, as we are to celebrate our 75th anniversary.

Our oldest store, and the second oldest dry goods house in America, is Gimbel-Bond, established in 1842 in Vincennes, Indiana. When Adam Gimbel first opened the doors of the little store sketched above he issued handbills which read: "Fairness and Equality to All Patrons, whether they are Residents of the City, Plainsmen, Traders, or Indians."

Our Galesburg, Illinois store, O. T. Johnson, was established in 1862; our Iowa City store in 1868; Terre Haute, Indiana in 1869; Peck's in Lewiston, Maine in 1880; Bloomington, Indiana in 1888.

Each of our conventional retail stores, whether or not among these pioneers, is an important and flourishing part of your company.

★ ★ ★ ★ ★ ★ ★ ★
OUR
75th
YEAR
1889-1964
★ ★ ★ ★ ★ ★ ★ ★

ALDENS

5000 WEST ROOSEVELT ROAD, CHICAGO 7, ILLINOIS