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Gambles

GAMBLE-SKOGMO, INC.

1964

ANNUAL REPORT

Tempo

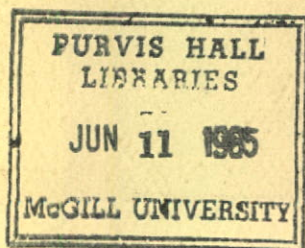
Aldens

Macleods

Stedmans

Skogmos

*Shoppers
World*





TOWARD THE FUTURE

This year Gamble-Skogmo celebrates its 40th Anniversary. What began as a small auto accessory store in St. Cloud, Minnesota, dedicated to bringing our customers quality merchandise at lowest possible prices, is today one of the nation's largest merchandising organizations, with sales of more than one-half billion dollars. We sell products from all over the world to people in thousands of small and middle-size communities and their surrounding rural areas throughout the American heartland and Canada—substantial towns where friendliness prevails and where the personal touch has not been lost under pressure of an increasingly complicated society.

Throughout our growth, we have held firm to the principles upon which we founded our first store. We believe that profits can be made from supplying people with the things they want and need as conveniently and economically as possible and in keeping with the highest standards of merchandise and service.

I am certain that, no matter how large we grow, we will never lose the personal touch which has become characteristic of your company.

The people who comprise our organization—franchise dealers, store managers, supervisors, the splendid Aldens personnel who now are members of the Gamble family, and our central management—are a priceless asset.

The road from St. Cloud has been long, challenging and rich in accomplishment. I believe the road ahead holds even greater promise.

A handwritten signature in dark ink that reads "B C Gamble". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

BERTIN C. GAMBLE, Chairman

GAMBLE-SKOGMO, INC.

General Offices, 15 NORTH EIGHTH STREET • MINNEAPOLIS, MINNESOTA 55403

1964

ANNUAL REPORT



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*annual meeting
fourth Friday in June*

FINANCIAL HIGHLIGHTS

	1964(1)	1963(1)	1963
Net Sales Including Lease Depts.....	\$501,267,277	\$430,761,558	\$236,869,156
Income from Operations before Taxes.....	22,755,697	16,532,774	9,880,287
Provision for Federal, State, and Canadian Income Taxes.....	11,686,214	8,811,518	4,431,205
Net Income from Operations.....	11,069,483	7,721,256	5,449,082
Per Share of Common Stock (Restated to provide for annual preferred dividends) (4).....	2.77	1.61	1.57
Net Income from Special Credits.....	3,454,182	4,484,899	4,683,733
Per Share of Common Stock (4).....	1.23	1.60	1.67
Net Income and Special Credits.....	14,523,665	12,206,155	10,132,815
Per Share of Common Stock (Restated to provide for annual preferred dividends) (4).....	4.00	3.21	3.24
Dividends Paid—Cash.....	5,592,293	4,071,618	4,071,618
Per Share of Common Stock.....	1.50(2)	1.50(3)	1.50(3)
Stock Dividend Paid.....	3%	—	—
Stockholders' Equity.....	132,017,920		98,213,159
Net Working Capital.....	177,898,819		61,236,973

(1) See notes 1 and 2 of notes to consolidated financial statements.

(2) Includes cash dividends for five quarters due to change in accounting period from calendar year to fiscal year ending January 31.

(3) Includes extra dividend of 30¢ per common share.

(4) Based on 2,805,490 common shares currently outstanding.



*TO OUR
SHAREHOLDERS
AND
EMPLOYEES*

left
C. C. RAUGUST, *President*

right
B. C. GAMBLE, *Chairman of the Board*

Although notable progress was achieved in most areas of operation, the merger of Aldens, Inc., into Gamble-Skogmo, Inc., which became effective December 31, 1964, undoubtedly was the most important event to occur during the period covered by this report. It placed your company in the forefront of American merchandising enterprises. It created a remarkably well-balanced distributive organization which, because of its diversity of stores and operations, is in an exceptionally strong position to take full advantage of changing merchandising patterns and opportunities and to initiate new programs for even greater growth.

The merger also has brought us many new employees and many new shareholders. It is most appropriate, therefore, that we take this occasion to welcome you as members of our corporate family. It is our hope that your association with Gamble-Skogmo will be long and profitable.

An important question facing management at this time is how your company plans to fit Aldens and Gamble operations together. No final answer can be given at present, and indeed, none can be forthcoming until a great deal of additional time and effort has been spent on further study, research and market-testing. Special groups of executives from both organizations are currently evaluating all phases of the combined enterprise, both as to operations and broader questions of marketing and merchandising.

However, potential areas for further growth and improvement are readily apparent; for Gamble and Aldens, both geographically and in type of operation, complement each other in many important respects. Gamble's greatest strength is in hard goods; Aldens is strongest in soft goods, fashion items and home furnishings. Aldens is the country's fourth largest mail order business; Gamble's efforts in this field have been on a very modest scale. Aldens' department stores, catalog and other retail units add to your company's overall marketing versatility. Ultimately, it may well be possible to employ the Aldens catalog broadly and effectively throughout Gamble's retail outlets, and thus add significantly to corporate growth. But when and how extensively this can be done will depend upon intensive study and analysis now in progress at representative Gamble and Tempo stores, as well as authorized dealers.

Notwithstanding the final form and degree of consolidation of operations, it is our intention to maintain the identity of Aldens in the highest possible measure; for the goodwill and reputation that has been built by this fine organization over 76 years is an asset of great value.

Although the Aldens merger has taken the spotlight in recent months, your company has made significant progress in other fields. Reflecting the aggressive expansion of our low margin operations—in which our Tempo self-service family department stores comprise a key element—sales from this type of merchandising now account for approximately 24 per cent of total Gamble volume as compared with but slightly over 11 per cent two years ago.

The first Tempo unit to be owned by an independent authorized dealer was opened during the past year and is being operated in accordance with established Tempo policies. It is our hope that the experience gained in working closely with this pilot operation will provide a sound foundation for future expansion.

In Canada, where over 550 of our company-owned and authorized dealer stores are located, operations of our Macleod's and Stedman chains were brought together at the corporate level under our Gamble Macleod Limited subsidiary. The consolidation has made possible significant savings in finance, insurance, buying and warehousing which should lead to further merchandising advantages. Although only in effect for approximately six months, results have been highly favorable and presage well for the future. In addition, notable progress was made in Canada in store modernization, the expansion of store size where opportunities were presented, and the broadening of merchandise lines.

Reflecting our progress, sales for both Gamble and Aldens reached new highs. Consolidated net income from operations showed a healthy growth. Income from the sale of non-merchandising properties and investments contributed substantially to overall results. It is the policy of your company to dispose of its remaining non-operating holdings as rapidly and profitably as possible.

As you already may have noted, your company has adopted a new fiscal year ending January 31, 1965 to make Gamble-Skogmo's results more readily comparable with other leading merchandising organizations. Therefore, sales and earnings appearing in this report will include 13 months for Gamble and 12 months for Aldens.

In conclusion, may we express our appreciation to our many franchise dealers, our old and newly-acquired employees, and our thousands of suppliers for their contributions to the year's success. May we also express our appreciation to Gamble-Skogmo shareholders, both old and new, for their interest and loyalty.



C. C. RAUGUST, *President*

B. C. GAMBLE, *Chairman of the Board*

March 25, 1965

GAMBLE-SKOGMO, INC.

1964

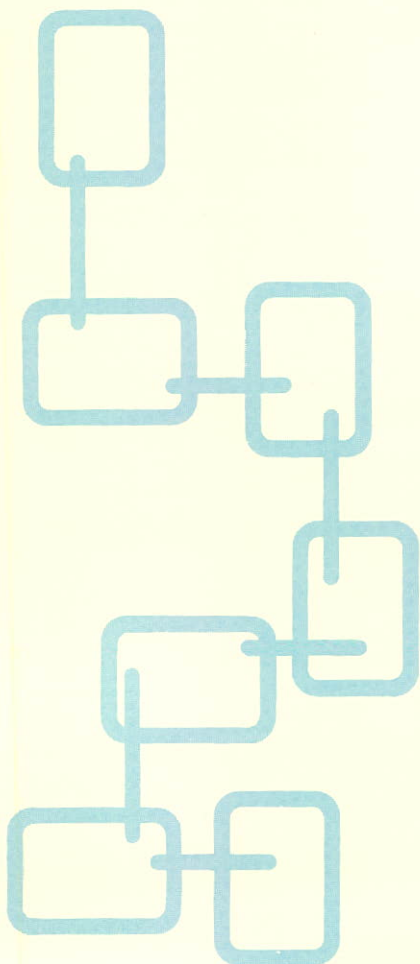
REVIEW OF THE YEAR

ACCOUNTING BASIS OF THIS REPORT

Sales and earnings figures presented in this report are on a pooling of interests basis—as if Aldens had been a part of Gamble-Skogmo for the full period, although the merger was not effective until December 31, 1964. Figures for the preceding year have been restated accordingly.

In keeping with this procedure, earnings per share of common stock are presented after provision for dividends on the \$1.75 cumulative convertible preferred stock and the \$1.60 cumulative convertible preferred stock, the latter issued in connection with the Aldens merger, as if both had been outstanding for the full period.

Gamble-Skogmo's fiscal year has been changed from one ending December 31st to one ending January 31st to make the results more readily comparable with other leading merchandising organizations. Therefore, sales and earnings stated in the report for the period ended January 31, 1965 reflect 13 months of the parent company and 12 months of Aldens.





SALES AGAIN REACH NEW HIGH

Consolidated net sales, including leased departments, for the newly-adopted fiscal year ended January 31, 1965, amounted to \$501,267,277 as compared with \$430,761,558 for a twelve-month period last year. After adjusting 1963 sales to the same number of months as 1964 (13 months for Gamble-Skogmo, Inc. and 12 months for Aldens, Inc.) the comparable sales would then total \$447,511,099, or an increase of 12 per cent over last year. Sales of both companies attained new record levels.

Virtually all phases of the combined enterprise contributed to the 12 per cent gain in sales, which exceeded the national retail average. Sales of the company's Tempo low-margin, self-service family department stores rose sharply, reflecting both the activation of new stores and the continued progress of earlier established units. Canadian sales also experienced a marked increase. Aldens mail order and catalog sales continued their steady rise of recent years, as did its department store volume.

Sales by product lines benefited from the broad consumer interest in evidence during the year. With few exceptions, all major product lines registered sales increases. Especially notable were sales of television sets, radios, stereo hi-fi, refrigerators, ranges, housewares, humidifiers, bicycles, sporting goods and furniture.

Softlines sales, including sales of men's, women's and children's clothing, gained substantially over a year earlier, indicating that the company's merchandising programs in this area are becoming increasingly effective. It should be noted that the company's efforts have been directed toward expansion of its softlines business for the past several years.

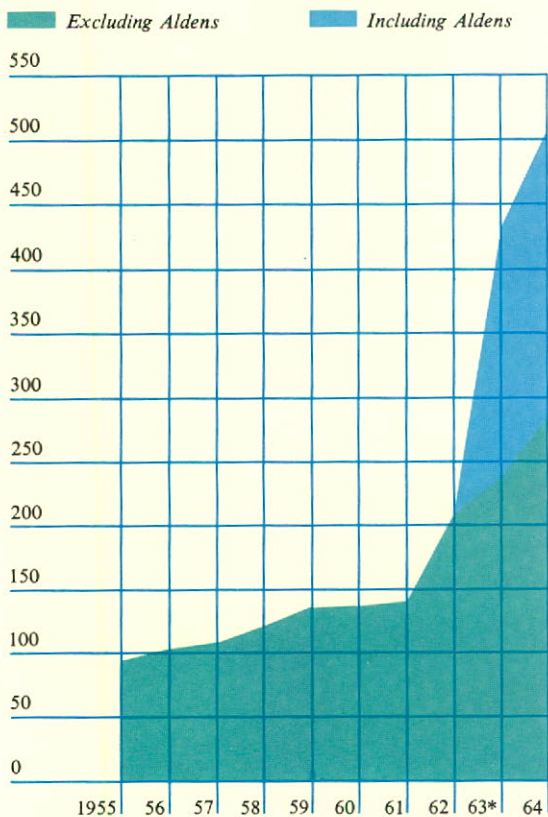
NET INCOME RISES

Consolidated net income from merchandising operations, after Federal, State and Canadian taxes on income, was \$11,069,483 as against \$7,721,256 for the comparable period a year earlier. Earnings from merchandising operations were equivalent to \$2.77 per share, based on the 2,805,490 shares of common stock outstanding on January 31, 1965, after provision for preferred dividends. This compared with \$1.61 per share a year earlier, calculated on the same basis.

Including other income derived mainly from the sale of non-merchandising properties and investments, total net earnings amounted to \$14,523,665, or \$4.00 per share, for the period ended January 31, 1965 as against \$12,206,155, or \$3.21 per share, the previous year.

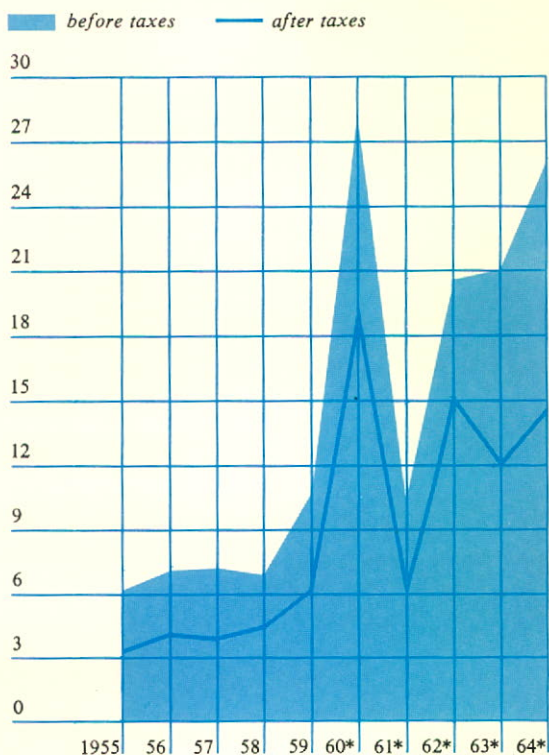
Net special credits and income from operations before taxes aggregated \$26,209,879 for the period ended January 31, 1965 as compared with \$21,017,673 a year earlier.

NET SALES in millions of dollars



*Restated as explained in note (2) of notes to consolidated financial statements.

NET EARNINGS in millions of dollars



*Includes income from special credits of \$3,454,182 in 1964, \$4,484,899 in 1963, \$11,598,557 in 1962, \$2,304,691 in 1961 and \$15,089,440 in 1960.

1963 restated as explained in note (2) of notes to consolidated financial statements.



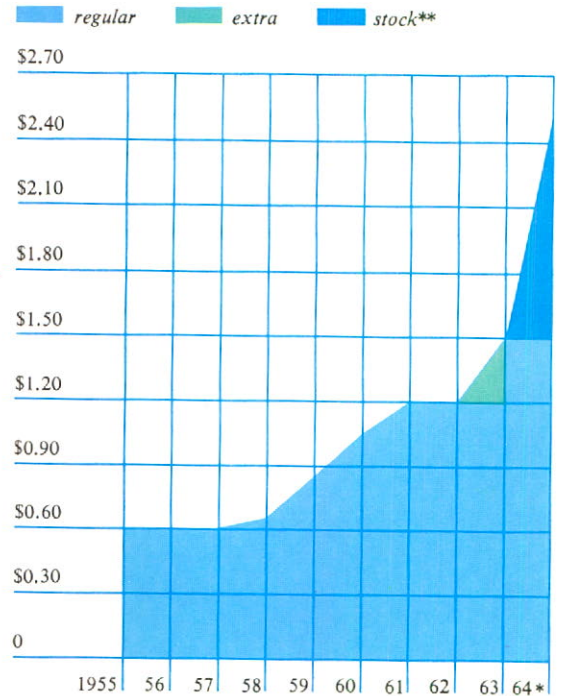
37 YEARS OF DIVIDENDS

Regular cash dividends of 30 cents and 43¾ cents per share, respectively, were paid on the common stock and \$1.75 cumulative preferred stock on January 31, April 30, July 31, October 31, 1964 and January 30, 1965. In addition, a stock dividend of 3 per cent was paid on the common stock on August 31, 1964. An interim dividend of 13½ cents per share, covering the month of January, was paid on the \$1.60 cumulative preferred stock on January 30, 1965. The company has paid dividends each year since its incorporation in 1928.

FINANCIAL POSITION STRONG

The company continues in a strong financial position. As of January 31, 1965, consolidated net working capital amounted to \$177,898,819. Current assets of \$272,182,287 were 2.89 times total current liabilities of \$94,283,468. Common shareholders' equity continued to increase and was \$132,017,920 on January 31, 1965.

DIVIDENDS per common share



*Includes regular dividends for five quarters due to fiscal year end change to January 31, 1965.

**Market price of Gamble-Skogmo, Inc. common stock was \$33.50 per share at time of stock dividend making dividend equivalent to approximately \$1.00 per share.

**GAMBLE SKOGMO
ACCEPTANCE CORPORATION**

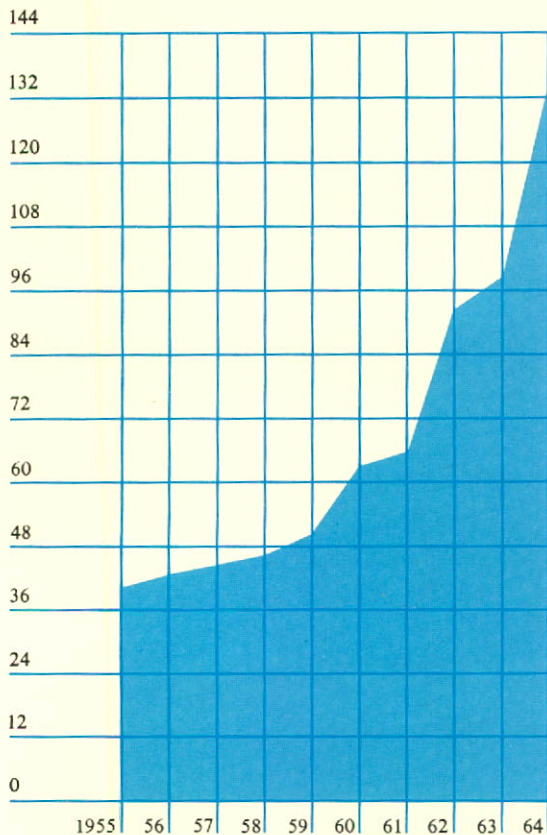
Reflecting the steady growth of credit sales, instalment contracts owned by Gamble Skogmo Acceptance Corporation amounted to \$47,326,286 as of January 31, 1965. Capital funds of this subsidiary, including subordinated debt, totaled \$26,953,313. Net income, after taxes, was \$466,872 for the period ended January 31, 1965.

ALDENS MERGER

Early in February, 1964, in keeping with its plans for greater expansion and diversification in merchandising, the company offered to purchase 500,000 shares of the common stock of Aldens, Inc., at a price of \$30 per share. As a result of the offer, Gamble-Skogmo purchased all of the 960,338 shares of Aldens common tendered or approximately 46 per cent of the outstanding stock.



STOCKHOLDERS' EQUITY in millions of dollars



On August 12, 1964, the boards of directors of both companies approved a plan of merger, with Gamble-Skogmo as the surviving corporation, subject to stockholder approval and contingent upon a favorable tax ruling from the Internal Revenue Service.

The plan of consolidation called for the exchange of one share of new Gamble-Skogmo \$1.60 cumulative convertible preferred stock for each share of Aldens common as of the effective date of the merger, with the exception of the shares owned by Gamble-Skogmo which would be cancelled.

The new preferred stock would be convertible into one share of Gamble-Skogmo common during the first ten years; nine-tenths of a share during the next five years; and eight-tenths of a share during the last five years. It would be non-callable during the first five years, but may be called thereafter at \$35 per share. Also called for was the exchange of one share of Aldens second preference stock for 42.37 shares of the new Gamble-Skogmo \$1.60 preferred and 6.35 shares of common, together with the retirement of all outstanding Aldens convertible subordinated debentures and cumulative preferred stock, 4½% series, for cash.

On December 14, 1964, stockholders of both companies approved this plan of merger at special meetings. Gamble-Skogmo shareholders, at their meeting, also approved an amendment to the company's Certificate of Incorporation to increase the authorized number of shares of common stock from 5,000,000 to 6,000,000 and to authorize 1,400,000 shares of new \$1.60 cumulative convertible preferred stock.

Upon receipt of the favorable tax ruling from the Internal Revenue Service the merger of Aldens into Gamble-Skogmo became effective on December 31, 1964. Following the merger, there were 2,805,490 shares of Gamble-Skogmo common stock, 597,092 shares of \$1.75 cumulative convertible preferred, and 1,355,106 shares of \$1.60 cumulative convertible preferred stock outstanding or reserved for exchange as of January 31, 1965.

The 76 year old Aldens organization is the country's fourth largest catalog mail order business and more than two-thirds of its sales are derived from this kind of merchandising. It also operates 22 department stores, largely in middle-sized communities; 14 low-margin self-service department stores, principally in the Chicago area; and 107 catalog sales and telephone order stores. Sales for the past year were in excess of \$217,000,000. Because of the importance and potentialities for future growth inherent in the Gamble-Skogmo-Aldens merger, a detailed description of Aldens and its activities is presented in a special section of this report, beginning on page 23.

FURTHER PROGRESS IN MERCHANDISING

The company continued to expand the number of its Tempo self-service family department stores during the past year. Although the new units added fell short of the planned goal of 25 due primarily to conditions beyond the control of the company, 14 new Tempo stores were opened, bringing to 33 the number in operation at year end. Fourteen leases have been signed thus far for additional Tempo store locations to be occupied during 1965.

Included in the new stores opened in 1964, was the first franchised Tempo unit, which was established at Willmar, Minnesota, around mid-year by two authorized dealers who had previously operated Gamble franchised stores. Sales results have been highly promising and the company is studying further expansion in this unique area of cooperative merchandising.

Confirming the soundness of the overall program, Tempo stores are operating profitably, despite the heavy non-recurring opening costs that were charged against earnings which, as a matter of company policy, are written off immediately.

As noted earlier in this report, substantial progress was achieved in Canada. With the consolidation of the Macleod's and Stedman chains in the company's Gamble Macleod Limited subsidiary, significant economies are being achieved and overall efficiency improved in such areas as accounting, real estate, buying, warehousing, insurance and finance. In addition, many Canadian units have benefited from modernized store fronts, improved layout for traffic flow and enlarged facilities. Merchandise lines also have been generally broadened.

Gamble-Skogmo's company-owned and authorized dealer Gamble stores, which are the dominant factor in hard goods merchandising in hundreds of Midwestern communities, continued to contribute significantly to overall results. As is the case throughout the company's operations, franchise dealers have benefited from the company's continuing program of merchandising assistance, store improvement and broadened merchandise lines.

The company recognizes the importance of anticipating and meeting the constantly changing requirements of modern merchandising, and of adopting techniques designed to keep it in the forefront of competitive merchandise distribution. During the year, its programs for employee training and education were intensified, as were management development programs planned to meet the growing needs for skilled, trained personnel at the store and supervisory level. Gamble-Skogmo has always looked upon promotion from within insofar as possible as the cornerstone of sound employee relations. Also during the year further advances were made in the application of electronic data processing (EDP) to various corporate functions. It seems evident that there will be continued scientific developments in this field, and Gamble-Skogmo will continue to evaluate and where applicable use them to improve efficiency of operations, reduce costs and provide better service for its customers.





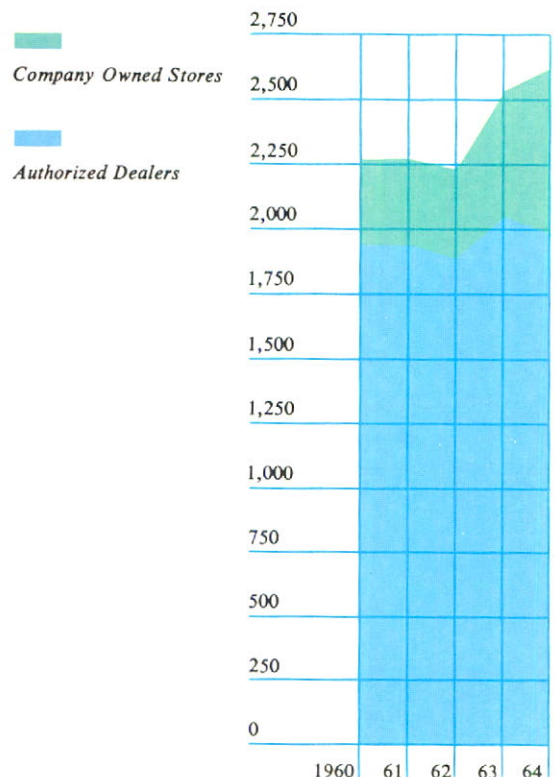
STORES

Reflecting the addition of Aldens, Gamble-Skogmo now owns and operates 450 general merchandise, hard goods and variety stores, 22 department stores, 61 self-service family department stores and 107 catalog sales and telephone sales units and these, together with 1,984 independent authorized dealers, make a total of 2,624 retail outlets. Stores in the United States are located in 32 states, primarily in the Middle West, while the 559 company-owned and franchised units included in the Macleod's and Stedman operations span Canada from coast to coast.

NON-MERCHANDISING INVESTMENTS FURTHER REDUCED

During the year, the company further materially reduced its non-merchandising investments. By mid-July, all remaining plants owned in the United States by the company's wholly-owned subsidiary, General Outdoor Advertising, Inc., had been sold, leaving only its Canadian operation, Claude Neon General Outdoor Advertising, Ltd., which is currently operating at highly satisfactory profit levels.

NUMBER OF OUTLETS



During 1964, the company reduced its holdings in Alleghany Corporation by approximately 1,000,000 shares; disposed of 50,000 shares of Investors Diversified Services stock, representing a portion of the IDS securities upon which it had a put and call agreement with Murchison Bros., of Dallas, Texas; and sold the stock of Channing Financial Corporation that had been owned by its General Outdoor Advertising, Inc., subsidiary.

As a result of these transactions, Gamble-Skogmo's non-merchandising holdings have been reduced to 500,000 shares of Alleghany common stock which was submitted for registration in late November, 1964. It is anticipated that this stock will be sold at such time as may be favorable.

The company also retains a put and call on 50,000 old shares of IDS now equivalent to 800,000 shares of Class B and 50,000 shares of Class A IDS stock which may also be disposed of this year.

NEW OFFICERS AND DIRECTORS

Following the annual meeting of stockholders on April 9, 1964, Arthur G. Johnson was elected vice president for merchandising. Mr. Johnson joined Gamble-Skogmo in 1937, was promoted to hardline division manager in 1949, and was elected vice president in charge of buying in 1959. He has been a director of the company since 1962.

At the same meeting, Gilbert A. Kaiser, formerly administrative assistant in accounting, was elected assistant controller. Mr. Kaiser, a graduate of the University of South Dakota in 1951, has served the company in various accounting assignments since 1953.

Robert W. Jackson, president and director of Aldens, Inc., at the time of the merger and now president of the company's Aldens subsidiary, was elected a director of Gamble-Skogmo on December 31, 1964. Mr. Jackson joined Aldens in 1922, and following a series of merchandising assignments, he was made vice president in charge of merchandising in 1942 and was elected president of the firm in 1944. He has been a director of Aldens since 1945.



SIGNIFICANT COMPARISONS

	1964 (1)	1963(1)	1963
Net Sales:			
Comparable Units (Including Lease Depts.).....	\$501,267,277	\$430,761,558	\$236,869,156
Actual (Excluding Lease Depts.).....	481,091,302	413,319,479	229,255,215
Income Before Income Taxes.....	26,209,879	21,017,673	14,564,020
Provision for Income Taxes.....	11,686,214	8,811,518	4,431,205
Net Income (2).....	14,523,665	12,206,155	10,132,815
Net Income Per Common Share (2)(3).....	4.00	3.21	3.24
Dividends Paid—Cash.....	5,592,293	4,071,618	4,071,618
Dividends Paid Per Common Share.....	1.50 ⁽⁵⁾	1.50 ⁽⁴⁾	1.50 ⁽⁴⁾
Stock Dividend Paid.....	3%		
Current Assets.....	272,182,287		94,600,129
Current Liabilities.....	94,283,468		33,363,156
Net Working Capital.....	177,898,819		61,236,973
Current Ratio.....	2.89 to 1		2.84 to 1
Funded Debt.....	113,243,178		37,873,979
Stockholders' Equity.....	132,017,920		98,213,159
Book Value Per Common Share (3).....	21.11		26.49
Book Value Per Common Share Assuming Conversion of Preferred Stock.....	27.64		
Inventories.....	103,525,695		61,629,968
Number of Shareholders.....	15,401	14,780	10,899
Number of Employees.....	16,115	14,373	7,288
Number of Company Owned Stores.....	533	527	496
Number of Company Owned Catalog Offices.....	107	106	
Number of Authorized Dealers.....	1,984	2,040	2,040
Number of Warehouses.....	12	12	9

(1) See notes 1 and 2 of notes to consolidated financial statements.

(2) Includes income from special credits of \$3,454,182 or \$1.23 per common share in 1964, \$4,484,899 or \$1.60 per share in 1963 as restated, \$4,683,733 or \$1.67 per share as reported in 1963, \$7,109,205 or \$2.53 per share in 1962, \$2,304,691 or \$.82 per share in 1961 and \$15,089,440 or \$5.38 per share in 1960.

(3) Based on 2,805,490 common shares currently outstanding.

(4) Includes extra dividend of \$.30 per common share.

(5) Includes cash dividends for five quarters due to change in accounting period from calendar to fiscal year ending January 31.

1962	1961	1960	1959	1958	1957	1956	1955
\$209,499,171	\$139,780,698	\$135,885,836	\$135,382,053	\$119,821,596	\$108,678,638	\$100,966,810	\$ 94,207,718
203,514,468	140,886,901	143,369,286	143,123,142	119,821,596	108,678,638	101,130,379	104,163,210
20,637,837	10,642,819	28,051,121	10,757,615	6,988,694	7,219,226	7,136,317	6,121,947
5,612,532	4,527,338	8,902,466	4,547,710	2,593,248	3,218,048	3,024,887	2,785,679
15,025,305	6,115,481	19,148,655	6,209,905	4,395,446	4,001,178	4,111,430	3,336,268
4.03	2.18	6.80	2.15	1.48	1.32	1.36	1.09
3,191,791	3,182,791	2,869,895	2,430,760	1,906,190	1,785,254	1,786,505	1,786,505
1.20	1.20	1.05	.85	.65	.60	.60	.60
90,928,590	57,388,809	69,758,212	58,073,440	45,697,219	43,628,075	44,665,678	40,712,077
41,802,163	20,033,663	16,057,718	22,291,316	13,208,441	12,615,589	10,664,978	11,017,650
49,126,427	37,355,146	53,700,494	35,782,124	32,488,778	31,012,486	34,000,700	29,694,427
2.18 to 1	2.86 to 1	4.34 to 1	2.61 to 1	3.46 to 1	3.46 to 1	4.19 to 1	3.70 to 1
39,281,617	12,975,000	13,150,000	18,325,000	10,425,000	7,600,000	8,275,000	8,950,000
92,424,947	65,933,118	63,000,455	50,126,616	46,480,322	44,770,936	42,710,650	40,385,725
24.43	23.50	22.46	16.65	15.30	13.94	13.14	12.32
57,115,687	37,522,953	39,051,119	33,877,723	27,615,238	23,391,594	23,678,036	25,573,821
11,049	8,155	7,782	8,533	8,373	8,026	7,356	7,340
7,057	3,961	3,874	3,757	3,719	3,648	3,598	3,664
495	337	330	323	325	318	312	330
2,075	1,932	1,935	1,869	1,839	1,823	1,833	1,809
9	8	8	7	8	8	8	8

CONSOLIDATED BALANCE SHEET

January 31, 1965

ASSETS

Current assets

Cash		\$ 23,268,277
Receivables		
Customers' instalment accounts, including equity in accounts sold, \$6,573,004	\$138,148,921	
Other customers' accounts	10,440,171	
Miscellaneous	3,596,152	
	152,185,244	
Less allowance for doubtful receivables and estimated collection expenses	13,244,212	138,941,032
Inventories at lower of cost or market		103,525,695
Prepaid expenses		6,447,283
Total current assets		272,182,287

Investments (notes 1 and 4)

Unconsolidated subsidiaries, at equity value	12,157,513	
Affiliates, at cost	5,719,410	
Common stock (500,000 shares) of Alleghany Corporation, at cost, quoted market value, \$5,375,000	5,087,655	
Other securities and notes receivable, at cost	2,572,066	25,536,644

Fixed assets, at cost

Land	3,533,559	
Buildings and equipment	40,209,929	
	43,743,488	
Less allowance for depreciation	17,334,033	
	26,409,455	
Advertising display plants, less amortization	2,489,391	
Leasehold improvements, less amortization	3,753,332	32,652,178

Other assets

Retirement fund for officers and key employees provided by insurance	1,295,203	
Deferred charges, less amortization	1,085,184	
Excess of cost over equity of consolidated subsidiaries acquired (note 3)	23,026,050	
Sundry other assets	856,544	
Patents, copyrights and goodwill	2	26,262,983
		\$356,634,092

See accompanying notes to consolidated financial statements.

LIABILITIES

Current liabilities

Notes payable.....	\$ 39,850,000
Current instalments of long-term debt.....	5,901,600
Trade accounts payable.....	21,510,662
Other payables and accrued expenses.....	17,130,916
Provision for loss on foreign exchange.....	1,802,128
Provision for income taxes.....	8,088,162
Total current liabilities	94,283,468

Long-term debt (note 4).....	113,243,178
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Deferred Federal income tax (note 5).....	16,357,500
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Minority interests in consolidated subsidiaries.....	732,026
--	---------

Stockholders' equity (notes 7, 8 and 9)

Preferred (voting) stock of \$40 par value per share; cumulative and convertible, \$1.75 per share dividend. Authorized 600,000 shares; outstanding 597,092 shares...	\$ 23,883,680	
Preferred (voting) stock of \$5 par value per share; cumulative and convertible, \$1.60 per share dividend. Authorized 1,400,000 shares; outstanding 1,355,106 shares.	6,775,530	
Common stock of \$5 par value per share. Authorized 6,000,000 shares; outstanding 2,805,490 shares.....	14,027,450	
Capital surplus.....	13,067,804	
Earned surplus.....	74,263,456	132,017,920

Contingent liabilities and commitments (note 11)

\$356,634,092

CONSOLIDATED STATEMENTS OF INCOME

	Thirteen months ended Jan. 31, 1965 (note 1)	Twelve months ended Dec. 31, 1963 (note 2)
Sales	\$501,267,277	\$430,761,558
Less leased department sales	20,175,975	17,442,079
Net merchandise sales	481,091,302	413,319,479
Advertising revenues (note 2)	11,968,231	11,241,091
Other income	1,838,920	1,586,904
Dividend from unconsolidated affiliate	—	1,139,200
Total income	494,898,453	427,286,674
Costs and expenses (net of instalment account service charges), exclusive of items set forth below	462,263,810	400,860,773
Interest	8,164,549	6,466,010
Provision for employees' profit sharing (retirement) trusts	1,714,397	1,471,424
Total costs and expenses	472,142,756	408,798,207
	22,755,697	18,488,467
Preacquisition earnings applicable to purchased shares of Aldens, Inc. (note 2)	—	1,955,693
Income before income taxes	22,755,697	16,532,774
Provision for income taxes	11,686,214	8,811,518
Net income	11,069,483	7,721,256
Special credits —net (note 10)	3,454,182	4,484,899
Net income and special credits	\$ 14,523,665	\$ 12,206,155

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CAPITAL AND EARNED SURPLUS

Thirteen months ended January 31, 1965

	<i>Capital surplus</i>	<i>Earned surplus</i>
Balance at beginning of period.....	\$ 2,233,975	\$58,658,874
Add		
Adjustments arising from pooling with Aldens, Inc.....	8,593,147	10,830,598
Excess of market value over par value of 81,220 shares of common stock issued as stock dividend.....	2,235,174	—
Proceeds in excess of par value received on exercise of stock options.....	362,400	—
Net income and special credits.....	—	14,523,665
	<u>13,424,696</u>	<u>84,013,137</u>
Deduct		
Premium on redemption of Canadian subsidiary's preferred stock.....	—	192,000
Merger expenses.....	356,892	—
Dividends		
\$1.75 preferred stock—cash.....	—	1,306,159
\$1.60 preferred stock—cash.....	—	180,677
Common stock		
Cash—\$1.50.....	—	4,105,457
Stock—3%—81,220 shares, at market value on declaration date.....	—	2,641,274
Aldens, Inc. prior to pooling of interests.....	—	1,324,114
Total dividends.....	<u>—</u>	<u>9,557,681</u>
	356,892	9,749,681
Balance at end of period.....	<u><u>\$13,067,804</u></u>	<u><u>\$74,263,456</u></u>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 1965

(1) Aldens, Inc., 48% of whose common stock was purchased for cash in February 1964, was merged into Gamble-Skogmo, Inc. on December 31, 1964 by a non-taxable exchange of one share of \$1.60 voting preferred stock of Gamble for each outstanding share of common stock of Aldens, except shares held by Gamble, and by exchange of 42.37 shares of \$1.60 voting preferred stock and 6.35 shares of common stock of Gamble for each share of outstanding convertible second preference stock of Aldens. The 52% interest so acquired has been accounted for as a "pooling of interests."

The accounting period of Gamble-Skogmo, Inc. was changed from a calendar year to a fiscal year ending January 31, the latter date being the fiscal year of Aldens, Inc. Accordingly, the accompanying consolidated statement of income includes the operations of Gamble-Skogmo, Inc. and consolidated subsidiaries other than Aldens for the thirteen months ended January 31, 1965 and the operations of Aldens, Inc. and its consolidated subsidiaries for the year then ended. Subsidiaries not consolidated at January 31, 1965 are carried in the accompanying consolidated balance sheet at underlying equity value and earnings of these subsidiaries for the period, \$600,320, have been included in consolidated income. A separate consolidated balance sheet of Gamble Skogmo Acceptance Corporation, principal unconsolidated subsidiary, appears elsewhere in this report.

Provision has been made for loss on conversion of the accounts of the Canadian subsidiaries to U. S. dollars and for income taxes on dividends which may be paid from undistributed earnings of Gamble Macleod Limited (formerly Macleod's Limited).

(2) The consolidated statement of income for the year ended December 31, 1963, as previously reported, has been restated for comparative purposes to include operations of Aldens, Inc. and its consolidated subsidiaries for the year ended January 31, 1964. Net sales aggregated \$184,064,264 and net earnings amounted to \$4,029,033 including \$1,955,693 of preacquisition earnings applicable to shares of Aldens stock purchased for cash. The latter amount has been deducted in computing consolidated net income as restated for 1963.

The net loss from advertising operations of General Outdoor Advertising Co., Inc. and its Canadian advertising subsidiaries was previously reported as a "Special item" in the consolidated statement of income for 1963 since the majority of the U.S. advertising plants had been sold at that date. In 1964, the remaining U.S. advertising plants were sold and subsequent to the balance sheet date negotiations for sale of the Canadian advertising operations were terminated. Accordingly, the operations of the Canadian advertising subsidiaries of General Outdoor Advertising Co., Inc. which resulted in a net gain of \$198,834 for 1963 have been reclassified in the accompanying consolidated statement of income to appropriate income and expense classifications and similar treatment has been accorded the 1964 operations.

(3) The excess of cost over equity in net assets of subsidiaries represents (a) \$9,838,798 applicable to the acquisition of Stedman Bros., Limited, (b) \$11,300,331 applicable to the purchase of 48% interest in Aldens, Inc., and (c) \$1,886,921 applicable to the purchase of 50.12% interest in General Outdoor Advertising Co., Inc. The Company has not amortized the excess cost applicable to the investments in Stedman and Aldens as there has been no impairment of the earnings or assets of these subsidiaries since dates of acquisition. Cost of the 50.12% interest in General Outdoor was \$9,983,873 in excess of underlying net asset value at date of acquisition and this amount has been attributed to advertising plants. Gains on subsequent sales of advertising plants have been reduced by the portion of such excess cost deemed applicable to plants sold and \$8,096,952 has been written off in this manner including \$1,353,274 in the current period and \$2,691,431 in 1963.

(4) Long-term debt aggregates \$119,144,778 of which \$5,901,600 maturing within one year is included in current liabilities. Notes of \$26,900,000 with a 5% interest rate mature through 1972 and are secured by 500,000 shares of Alleghany Corporation common stock and by the securities of certain Canadian subsidiaries and affiliates. Unsecured notes of \$77,244,778 mature in installments to 1984 and bear interest at rates from 5% to 6% and include \$12,600,000 senior subordinated notes of Aldens, Inc. Also included in long-term debt are \$15,000,000 of 5% sinking fund debentures of Aldens, Inc. due 1971-1981.

Minimum annual payments of long-term debt during the next five fiscal years ending January 31 are as follows: 1966—\$5,901,600, 1967—\$6,074,552, 1968—\$6,323,954, 1969—\$7,152,287 and 1970—\$11,105,315.

(5) The accompanying consolidated statements of income have been prepared on the accrual basis of accounting; however, for Federal income tax purposes, installment sales of Aldens, Inc. are reported on the installment basis of accounting and, as a result, Federal income taxes of \$15,770,000 are not payable until future years. Deferred income taxes also includes \$587,500 representing income taxes on dividends of Gamble Macleod Limited which may be paid in future years from undistributed earnings. Deferred taxes applicable to installment sales of Aldens at January 31, 1964, based on tax rates in effect prior to enactment of the Revenue Act of 1964, were reduced by \$1,000,000 during the current period to reflect the reduction in Federal income tax rates currently in effect and this amount is included in "Special Credits" in the accompanying statement of consolidated income (note 10).

(6) The Company and its domestic subsidiaries changed their method of accounting for the investment tax credit from a "deferral" to "flow-through" basis during the period ended January 31, 1965. The amount of the investment credits deferred at the beginning of the period, \$293,499, and the credits earned in the current period, \$177,495, have been taken into income in the current period.

(7) Each share of \$1.75 Cumulative Preferred Stock is convertible into 1.03 shares of common stock until October 31, 1973, 9,027/10,000ths of a share to October 31, 1978 and 8,024/10,000ths of a share to October 31, 1983 on which date conversion rights expire. The stock is redeemable at the option of the Company at \$42.50 per share plus accrued and unpaid dividends during the year ending October 31, 1969 with successive annual reductions of 25 cents per share to \$40.00 per share on and

after November 1, 1978. Sinking fund requirements, equal to 5% per year of shares issued, commence in 1983.

Each share of \$1.60 Cumulative Preferred Stock, issued in connection with the exchange of stock referred to in note 1, is convertible into one share of common stock until November 30, 1974, 9/10ths of a share to November 30, 1979 and 8/10ths of a share to November 30, 1984 on which date conversion rights expire. After November 30, 1969 the stock is redeemable at the option of the Company at \$35.00 per share plus accrued and unpaid dividends. Sinking fund requirements, equal to 5% per year of shares issued, commence in 1984.

(8) At January 31, 1965, 2,323,899 shares of common stock were reserved as follows:

- (a) 1,970,110 shares for issuance upon conversion of preferred stock (see note 7).
- (b) 206,000 shares for issuance at a price of \$25.24 per share upon exercise of warrants issued in connection with the sale of \$10,000,000 6% notes payable due May 1, 1975 and,
- (c) 147,789 shares for issuance under the Company's Restricted Stock Option Plan for executives and key employees. At December 31, 1963 options on 123,394 shares were outstanding. During the thirteen months ended January 31, 1965 no options were issued and options on 20,805 shares were exercised leaving options on 102,589 shares at \$28.762 per share outstanding at the end of the period. At both the beginning and end of the period 45,200 shares of common stock were reserved for possible issuance of additional options. In the preceding two sentences numbers of shares have been adjusted for the 3% stock dividend issued in 1964.

(9) The terms of the 6% notes payable require maintenance of minimum working capital and place restrictions upon the declaration of dividends and payments for the acquisition and redemption of the Company's capital stock. At January 31, 1965 the working capital requirements were complied with and the amount of unrestricted earned surplus was approximately \$6,300,000.

(10) Special credits—net included in the consolidated statements of income are as follows:

	Thirteen months ended Jan. 31, 1965	Twelve months ended Dec. 31, 1963
Gain (loss) on sale of non-operating investments, less applicable income taxes:		
Stock of Investors Syndicate of Canada, Ltd.	\$2,914,808	\$ —
Stock of Channing Corporation.	(2,067,841)	—
Stock (and warrants in 1963) of Alleghany Corporation..	27,880	(698,511)
Gain less applicable income taxes and amortization of excess cost of investment on sale of advertising plants (note 3).	2,071,887	5,962,360
Reduction in deferred Federal income taxes of Aldens, Inc. (note 5).	1,000,000	—
Loss from discontinued advertising operations (note 2).	(492,552)	(778,950)
	<u>\$3,454,182</u>	<u>\$4,484,899</u>

(11) In accordance with a put and call agreement entered into in 1962 with Murchison Brothers, Gamble has a call option to purchase, before September 20, 1965, 50,000 Class A common nonvoting shares at \$50.00 per share and 800,000 Class B common voting shares at

\$12.50 per share of Investors Diversified Services, Inc. Murchison Brothers has a put option under which they may require Gamble to purchase the same number of Class A and Class B common shares of Investors Diversified Services, Inc., less any shares purchased by Gamble under the call option, during the 16-day period from September 20, 1965 to October 5, 1965, at \$40.00 per share for the Class A common shares and \$10.00 per share for the Class B common shares.

During 1962, 1963 and 1964, General Outdoor Advertising Co., Inc. sold its 36 operating branches and received notes for a substantial portion of the sales price. These and certain other notes were sold to banks under purchase-guaranty agreements under which General Outdoor Advertising Co., Inc. unconditionally guarantees payment of the notes. At January 31, 1965 the uncollected balance of such notes was \$29,471,411 and no instalments were delinquent.

The approximate minimum annual rentals under 281 leases in effect at January 31, 1965 expiring beyond January 31, 1968, are \$6,922,284 of which 154 leases with annual rentals of \$1,044,214 expire within five years; 42 leases with annual rentals of \$1,173,235 expire within ten years, and 54 leases with annual rentals of \$2,852,985 have terms extending beyond fifteen years. These amounts exclude maintenance costs, real estate taxes, insurance, etc. and increased amounts based on percentages of sales which may be payable in some cases.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.

Certified Public Accountants
NORTHWESTERN BANK BUILDING
MINNEAPOLIS, MINN. 55402

The Board of Directors and Stockholders Gamble-Skogmo, Inc.:

We have examined the consolidated balance sheet of Gamble-Skogmo, Inc. and consolidated subsidiaries as of January 31, 1965 and the related statements of income and surplus for the thirteen months then ended. Our examination 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. We did not examine the financial statements of Aldens, Inc. and subsidiaries or the Canadian advertising subsidiaries of General Outdoor Advertising Co., Inc., which are included in the accompanying consolidated financial statements. Such financial statements have been examined by other public and chartered accountants and our opinion, insofar as it relates to the amounts included for these companies, is based solely upon the reports of such accountants.

In our opinion, based upon our examination and the reports of other public and chartered accountants, the accompanying financial statements present fairly the consolidated financial position of Gamble-Skogmo, Inc. and consolidated subsidiaries at January 31, 1965 and the results of their operations for the period then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year as restated.

PEAT, MARWICK, MITCHELL & CO.

Minneapolis, Minnesota
March 19, 1965

CONSOLIDATED BALANCE SHEET

January 31, 1965

ASSETS

	January 31, 1965	December 31, 1963
Customer contracts purchased from affiliates	\$47,326,286	\$48,694,514
Less portion of purchase price withheld pending collection	5,302,266	5,270,492
Net contracts receivable	42,024,020	43,424,022
Cash	263,110	3,305,214
Notes receivable—current portion less allowance for doubtful accounts, \$17,719, in 1965	32,401	12,954
Interest receivable	3,909	24,664
Prepaid interest	105,449	66,088
Total current assets	42,428,889	46,832,942
Notes receivable less current portion shown above	505,690	153,065
Unamortized loan expense	104,155	113,524
Organization expense	—	1,661
	\$43,038,734	\$47,101,192

LIABILITIES

Notes payable	\$15,727,500	\$20,027,512
Accrued interest	2,625	427,601
Taxes on income, estimated	355,296	417,454
Provision for loss on foreign exchange	—	42,184
Total current liabilities	16,085,421	20,914,751
5% sinking fund notes due 1982	16,000,000	16,000,000
5⅜% subordinated sinking fund notes due 1982	4,000,000	4,000,000
5¾% subordinated note payable to Gamble-Skogmo, Inc.	—	2,000,000
5% subordinated debenture notes due in annual instalments, 1973 through 1983	300,000	—
Total long-term debt	20,300,000	22,000,000
Common stock without par value. Authorized 50,000 shares; issued and outstanding 45,000 shares at stated value (35,000 shares in 1963)	5,500,000	3,500,000
Retained earnings (approximately \$533,000 available for dividends)	1,153,313	686,441
Total stockholder's equity	6,653,313	4,186,441
	\$43,038,734	\$47,101,192

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.

Certified Public Accountants
NORTHWESTERN BANK BUILDING
MINNEAPOLIS, MINN. 55402

The Board of Directors Gamble Skogmo Acceptance Corporation:

We have examined the consolidated balance sheet of Gamble Skogmo Acceptance Corporation and subsidiary as of January 31, 1965. Our examination 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.

In our opinion, the accompanying consolidated balance sheet presents fairly the financial position of Gamble Skogmo Acceptance Corporation and subsidiary at January 31, 1965, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Minneapolis, Minnesota
March 19, 1965

ALDENS

1964

The acquisition of Aldens at year-end has added a new and vital dimension to Gamble-Skogmo. So that our shareholders and employees may better evaluate the capabilities of our newest associate and more soundly assess the potential inherent in the merger, we have used the following pages of this report to review Aldens as a long-established and leading force in American merchandising.



THIS IS ALDENS

ALDENS OFFICES

EXECUTIVE OFFICES

BUYING OFFICES

CLERICAL OPERATIONS

HARDLINES PLANT & WAREHOUSE

5000 West Roosevelt Road, Chicago, Illinois

SOFTLINES PLANT & WAREHOUSES

511 South Paulina Street, Chicago, Illinois

600 West Fulton Street, Chicago, Illinois

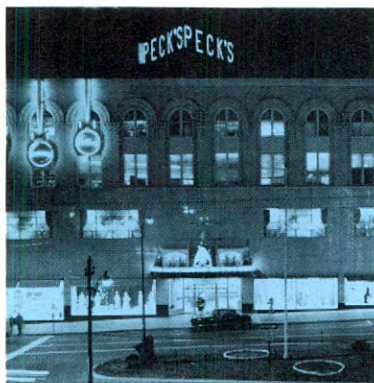
1916 South Laramie Avenue, Cicero, Illinois

NEW YORK OFFICE

200 Madison Avenue, New York, New York



R. W. JACKSON, *President of Aldens, Inc.*



Aldens had its genesis in an extremely modest mail order business established in 1889. Then known as the Chicago Mail Order Millinery Company, it advertised millinery supplies in a small leaflet catalog, and a five-man staff filled orders from a loft at Wabash and Congress Streets in Chicago.

This was a period of vigorous expansion in America. The golden spike which completed the first transcontinental railroad had been driven less than two decades before. From the Middle West to the High Plains, population was growing rapidly. Although small towns were becoming middle-sized towns and crossroad centers were growing into villages, the population continued to be preponderantly agricultural and widely scattered. Catalog mail order was an ideal vehicle for serving such areas.

While present day America differs vastly from that of 76 years ago, catalog merchandising continues to thrive and grow, because the ease of ordering a wide assortment of attractive, economically priced goods and the certainty of quick, dependable delivery fully meet today's needs.

Aldens has taken full advantage of the challenge and opportunity presented by the changing times and today holds a position of leadership as the nation's fourth largest catalog business, with over two-thirds of its more than \$200 million annual sales being derived from this source. Again in keeping with new opportunities presented by changed conditions, Aldens more recently has diversified its merchandising operations to include well-established department stores in middle-sized cities, self-service low margin department stores and an insurance company subsidiary.

Returning briefly to history, Aldens grew with its rapidly expanding section of the nation. In 1905, the word "Millinery" was dropped from the corporate title, for its 66-page catalog was now listing a wide assortment of women's apparel. By 1928, the catalog had grown to 300 pages and operations of the Chicago Mail Order Company, as it then was called, were transferred to an eight-story building at Harrison and Paulina Streets.

The company's securities were listed on the Chicago (now Midwest) Exchange in 1933 and, reflecting its growing stature, were listed on the New York Stock Exchange in 1935. Cash dividends were initiated in 1934 and have been paid without interruption since then.

Although all of Aldens original sales were for cash, the company tested a credit sales policy in one state in 1936. As a result of its success, credit sales were extended throughout all of the Aldens territory in 1937, and now account for more than 50 per cent of its catalog sales volume.

As it became increasingly apparent that catalog sales volume could be raised materially by the use of catalog and telephone offices where orders may be placed in person or by telephone, Aldens established the first such unit in Chicago Heights, Illinois in 1938. Since then, this method has become an important part of overall sales operations.

The changing patterns of merchandising made it apparent that many local department stores, often family-owned, would benefit from an alliance with a larger, skilled and aggressive organization with broad experience and substantial financial resources. Aware of this situation, Aldens initiated a program to acquire such retailing units with the purchase in 1944 of a department store at Kankakee, Illinois.

Because of the expansion into the retail store field and the development of new methods of catalog selling, the company sought a corporate title consonant with its new merchandising structure. Accordingly, the name, Aldens, Inc., was adopted in 1946. Since "Aldens" had been used for many years as a brand name for much of the top-grade merchandise sold by the company, the transition to the new corporate title was easily made.

In 1961, again in keeping with the trend of the times, Aldens entered the growing self-service, low margin department store field through the purchase of the Shoppers World chain of six stores in the Chicago area. This phase of its operations has been greatly expanded. Also in 1961, the company formed the John Alden Life Insurance Company, a wholly-owned subsidiary whose business constitutes an excellent complement to Aldens catalog and Shoppers World operations.

ALDENS CATALOG SALES

Trained personnel help in merchandise selection and stimulate sales at an Aldens Catalog Office.

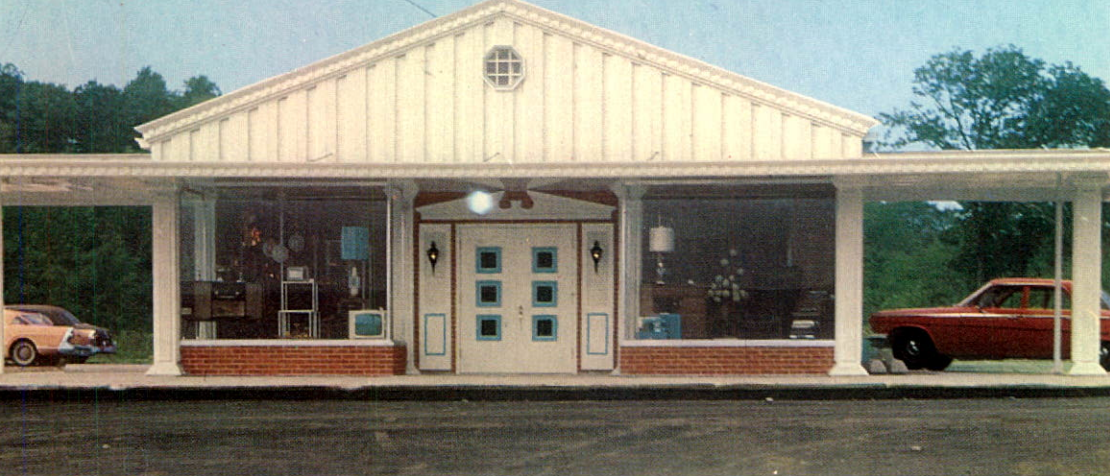


Reflecting its continuing leadership in the growing catalog industry, the Aldens 1958 spring and summer catalog totaled 556 pages, rose to 684 pages in the 1963 edition and increased to 800 pages for the 1965 edition. The 1965 fall and winter catalog, now in preparation, will contain more than 950 pages.

Including special sales catalogs as well as the two large general catalogs issued yearly, Aldens now distributes approximately 50 million major merchandising pieces annually. The large general catalog is mailed to established customers whose purchases have totaled \$10 or more in the recent past, as well as to new customers. Surveys made by Aldens indicate that there are three principal reasons for the growing popularity of catalog shopping: (1) lower prices; (2) the wider assortment of goods offered as compared with local stores; and (3) convenience, including the elimination of traffic problems and travel time.

Since the extension of credit facilities to the entire Aldens territory in 1937, catalog sales made on a credit basis account for more than 50 per cent of catalog volume. Aldens credit accounts may be used as charge accounts if payments are made within 30 days. Most customers, however, prefer to extend payments over a period of several months, in which event there is a monthly service charge of 1½% on the unpaid balance.

An important part of the Aldens catalog sales program are its 107 catalog offices, where orders may be placed in person or by telephone. Selected items are on display and credit records are maintained at these offices. In the larger cities, around-the-clock telephone shopping service is available. Most of the catalog offices are located within overnight trucking distance from Chicago.



*A new drive-in catalog office
in Des Moines, Iowa is typical of the
modern convenience offered by
this shopping method.*

ALDENS CATALOG OFFICES

COLORADO

Denver

CONNECTICUT

Hartford

ILLINOIS

Aurora	Harvey
Belleville	Joliet
Berwyn	Kankakee
Bloomington	La Salle
Chicago—4	Moline
Chicago Heights	Oak Lawn
Cicero	Peoria
Danville	Rockford
Decatur	Rock Island
Des Plaines	Springfield
Downers Grove	Sterling
East St. Louis	Urbana
Elgin	Villa Park
Granite City	Westchester

INDIANA

Bedford	Hammond
Elkhart	Indianapolis
Evansville	Kokomo
Fort Wayne	Marion
Gary	

IOWA

Cedar Rapids	Sioux City
Des Moines	Waterloo
Dubuque	

KANSAS

Wichita

KENTUCKY

Louisville	Paducah
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MARYLAND

Baltimore

MASSACHUSETTS

Boston

MICHIGAN

Battle Creek	Kalamazoo
Bay City	Lansing
Benton Harbor	Mt. Clemens
Dearborn	Muskegon
Detroit	Pontiac
Flint	Royal Oak
Grand Rapids	Wayne
Jackson	Ypsilanti

MINNESOTA

Duluth	Minneapolis
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MISSOURI

North Kansas City	St. Louis
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NEBRASKA

Lincoln	Omaha
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NEW YORK

Buffalo	Rochester
New York City	Syracuse

OHIO

Akron	Lima
Canton	Lorain
Cincinnati	Mansfield
Cleveland—2	Springfield
Columbus	Toledo
Dayton	Youngstown
Hamilton	Zanesville

OKLAHOMA

Tulsa

PENNSYLVANIA

Allentown	Pittsburgh
Philadelphia	

WISCONSIN

Appleton	Kenosha
Beloit	La Crosse
Burlington	Milwaukee—2
Eau Claire	Oshkosh
Green Bay	

DEPARTMENT STORE

OPERATIONS

Since the initiation of its retail store program in 1944 the number of department stores included in the Aldens retail group has grown to 22 units located in 11 states. Expansion has been especially rapid in recent years, and five stores were acquired during the past year.

Aldens policy has been to purchase well-established department stores, usually the dominant store in its city and always one with a long history of service to its community. After its acquisition by Aldens, a store continues to operate under its original name and with a high degree of autonomy, thus permitting it to provide the type of merchandise and service best suited to its particular marketing area. In view of this program's success, it is planned to acquire additional units as stores meeting Aldens requirements become available.

Typical of the Aldens retail group are the five stores added during the past year. Roshek's Department Store, Dubuque, Iowa's largest store, was acquired early in 1964. Founded in 1894, Roshek's enjoys an excellent reputation and serves a wide territory, including parts of Wisconsin and Illinois, as well as Iowa. It offers a complete line of department store merchandise, plus a dining room, bakery, beauty salon, photographic shop, gourmet food department and pet department.

In May, Aldens acquired Coppin's, the leading department store in Covington, Kentucky. Established in 1874, Coppin's offers a full selection of high quality merchandise. The Palace, in Monroe, Louisiana, and Capitol Department Store in Sumter, South Carolina, were added in November. Both are well-established stores in their respective communities.

Gregg's Department Store, Lima, Ohio, was acquired in January, 1965. Originally founded in 1885 in Tiffin, Ohio, by R. T. Gregg, the store was moved to Lima in 1900 and remained in the Gregg family until its acquisition by Aldens. It is the largest store in the west central part of Ohio.

DEPARTMENT STORES

ARKANSAS

Texarkana, *Dillard's*

ILLINOIS

Alton, *Young's*

Chicago, *Aldens*

Elmwood Park, *Aldens*

Galesburg, *O. T. Johnson's*

Kankakee, *Aldens*

INDIANA

Bedford, *Aldens*

Bloomington, *Aldens*

Frankfort, *Aldens*

Terre Haute, *Aldens*

Vincennes, *Gimbel & Bond*

IOWA

Dubuque, *Roshek's*

Iowa City, *Aldens*

KENTUCKY

Bowling Green, *Pushin's*

Covington, *Coppin's*

Owensboro, *McAtee's*

LOUISIANA

Monroe, *Palace*

MAINE

Lewiston, *Peck's*

MICHIGAN

Port Huron, *Sperry's*

OHIO

Lima, *Gregg's*

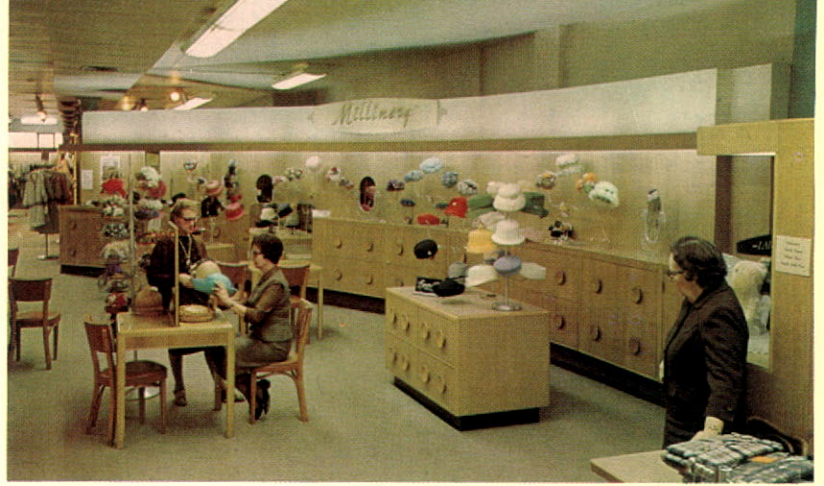
PENNSYLVANIA

Uniontown, *Kaufman's*

SOUTH CAROLINA

Sumter, *Capitol*

*Gregg's millinery salon;
one of the store's popular features.*



*Newest addition to Aldens chain
of 22 department stores, Gregg's, is the
leading store in Lima, Ohio.*



*A grand opening at a new Shoppers World.
A view of the Lincoln Avenue, Chicago, low-margin
high-volume unit.*



ALDENS SHOPPERS WORLD

Aldens entered the self-service low margin merchandising field in 1961 with the purchase of the Shoppers World chain, whose six stores with annual sales of about \$19 million then comprised the largest self-service, low margin department store business in the Chicago area.

Since then, eight additional stores ranging in size from 63,000 to 120,000 square feet—as against an average of 41,000 square feet for the original six units—have been opened and Shoppers World sales now approximate \$43 million a year.

All of the new stores have ample parking space and are located next to a food supermarket to facilitate one-stop shopping. With the exception of a store in the Phalen Shopping Center, St. Paul, Minnesota, and one in Decatur, Illinois, all Shoppers World units are situated in Chicago or its suburbs. Plans were announced recently to open a Shoppers World store in Terre Haute, Indiana, and additional sites are under consideration.

Merchandise carried in the Shoppers World stores is of first quality, with concentration in apparel, toys, records, soft goods, small hardware, table appliances, housewares, radios, phonographs, TV sets, tires, auto supplies and accessories. Store operations are conducted on the self-service principle, with attractive and easy-to-examine displays of items in bins or on racks or shelves and convenient check-out counters at the store exit. Purchases may be made for cash or charged to Shoppers World credit accounts.

THE JOHN ALDEN

LIFE INSURANCE

SUBSIDIARY

The John Alden Life Insurance Company, which sells insurance through Aldens catalogs, circulars enclosed with monthly credit statements, and through Shoppers World department stores, was formed in 1961.

In addition to ordinary life insurance, the company writes 20-pay life, senior citizen, 20-year endowment, family, hospital, and travel and accident insurance. Aldens customers are offered the convenience of charging insurance premiums to their credit accounts if they wish.

The growth of the John Alden Life Insurance Company has been highly gratifying. Premium income from the 20,000 persons insured totaled approximately \$600,000 during 1964 and life insurance in force rose from approximately \$12 million to \$18 million during the year.

SHOPPERS WORLD STORES

5275 and 5308 North Milwaukee Avenue
Chicago, Illinois

5940 West Cermak Road
Cicero, Illinois

8711 West North Avenue
Melrose Park, Illinois

8341 Wicker Park Blvd.
Highland, Indiana

9639 South Cicero Avenue
Oak Lawn, Illinois

9301 North Milwaukee Avenue
Niles, Illinois

6221 East Melton Road
Gary, Indiana

1333 Western Avenue
Chicago Heights, Illinois

Brettwood Village
Bloomington & Pershing Rd.
Decatur, Illinois

6211 North Lincoln Avenue
Chicago, Illinois

201 West Rand Road
Mount Prospect, Illinois

5601 South Cicero Avenue
Chicago, Illinois

Phalen Shopping Center
1441 E. Magnolia Avenue
Saint Paul, Minn.

6450 West Fullerton Avenue
Chicago, Illinois
(opened in February, 1965)

GAMBLE-SKOGMO, INC.

DIRECTORS

B. C. GAMBLE
C. C. RAUGUST
W. P. BERGHUIS
W. H. DAVIES, JR.
R. W. JACKSON
A. G. JOHNSON
B. L. ROBBINS
H. C. STEPHENS
A. D. WALKER
H. W. ZINSMASER

OFFICERS

B. C. GAMBLE, *Chairman of the Board*
C. C. RAUGUST, *President*
W. P. BERGHUIS, *Senior Vice President and Secretary*
W. H. DAVIES, JR., *Vice President and Treasurer*
H. J. FROMMELT, *Vice President—Public Relations*
P. L. GNAM, *Vice President—Personnel*
A. G. JOHNSON, *Vice President—Merchandising*
E. C. MOORE, *Vice President*
ATLEY PETERSON, *Vice President—Operations*
H. C. STEPHENS, *Vice President*
G. S. YOUNGER, *Vice President—Sales*
P. R. RUNEBERG, *Controller*
HELEN BOHN, *Assistant Secretary*
P. T. MUCKE, *Assistant Secretary*
P. N. JOHNSON, *Assistant Controller*
G. A. KAISER, *Assistant Controller*
A. G. KIRKNESS, *President, Gamble Macleod Limited*
R. W. JACKSON, *President, Aldens, Inc.*

REGIONAL ORGANIZATION

A. C. BOLTE, *Manager, Central Region*
M. S. ROTZIEN, *Manager, Northern Region*
J. C. SUNDQUIST, *Manager, Eastern Region*

PRINCIPAL OFFICES

GAMBLE-SKOGMO, INC.
15 North 8th Street, Minneapolis, Minn. 55403
GAMBLE MACLEOD LIMITED
1301 Ellice Avenue, Winnipeg, Manitoba, Canada
ALDENS, INC.
5000 West Roosevelt Road, Chicago, Ill. 60607

TRANSFER AGENT

First National City Bank
55 Wall Street, New York, N. Y. 10015

REGISTRAR

The Chase Manhattan Bank
1 Chase Manhattan Plaza, New York, N. Y. 10015

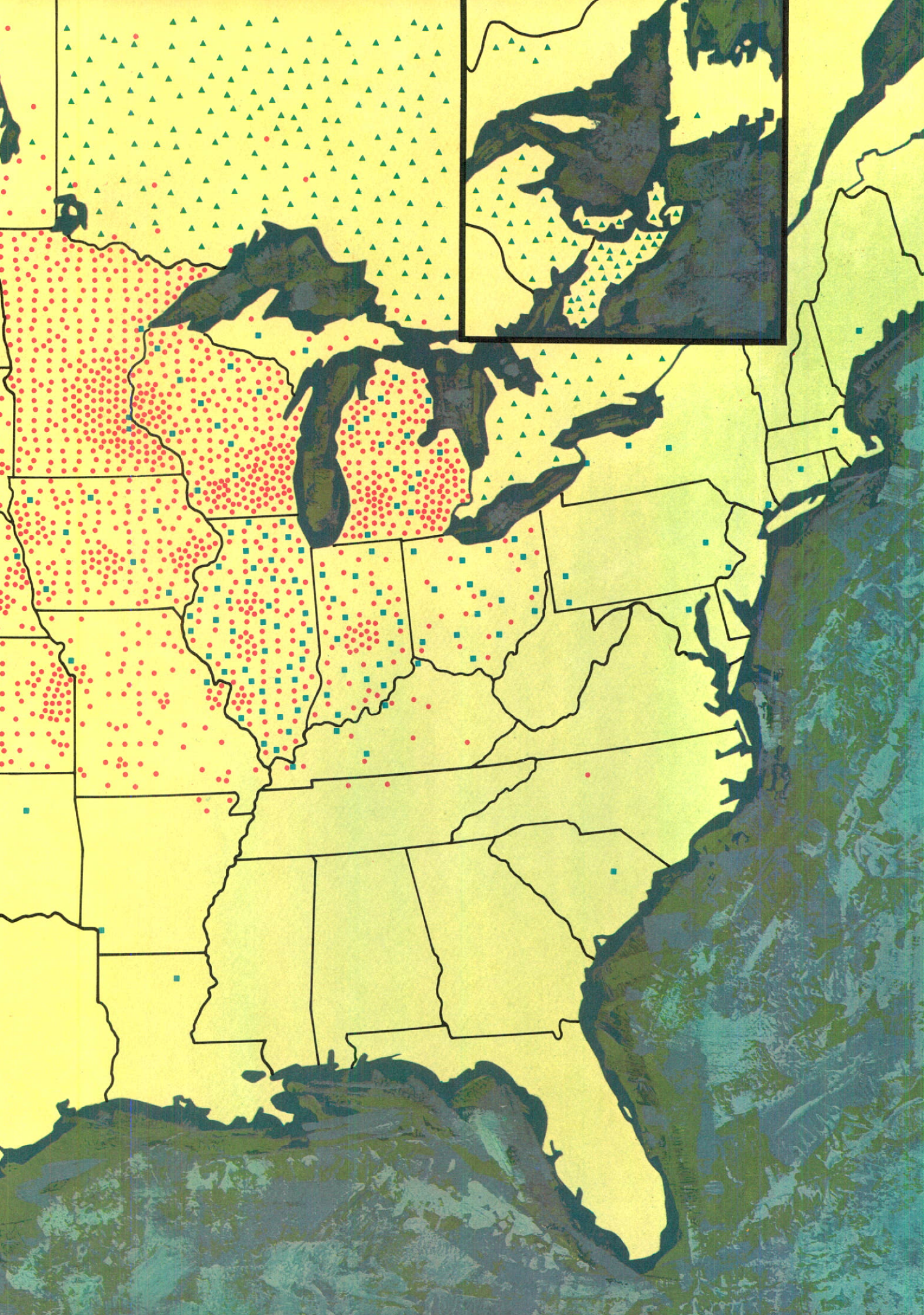
NUMBER OF STORES BY STATE

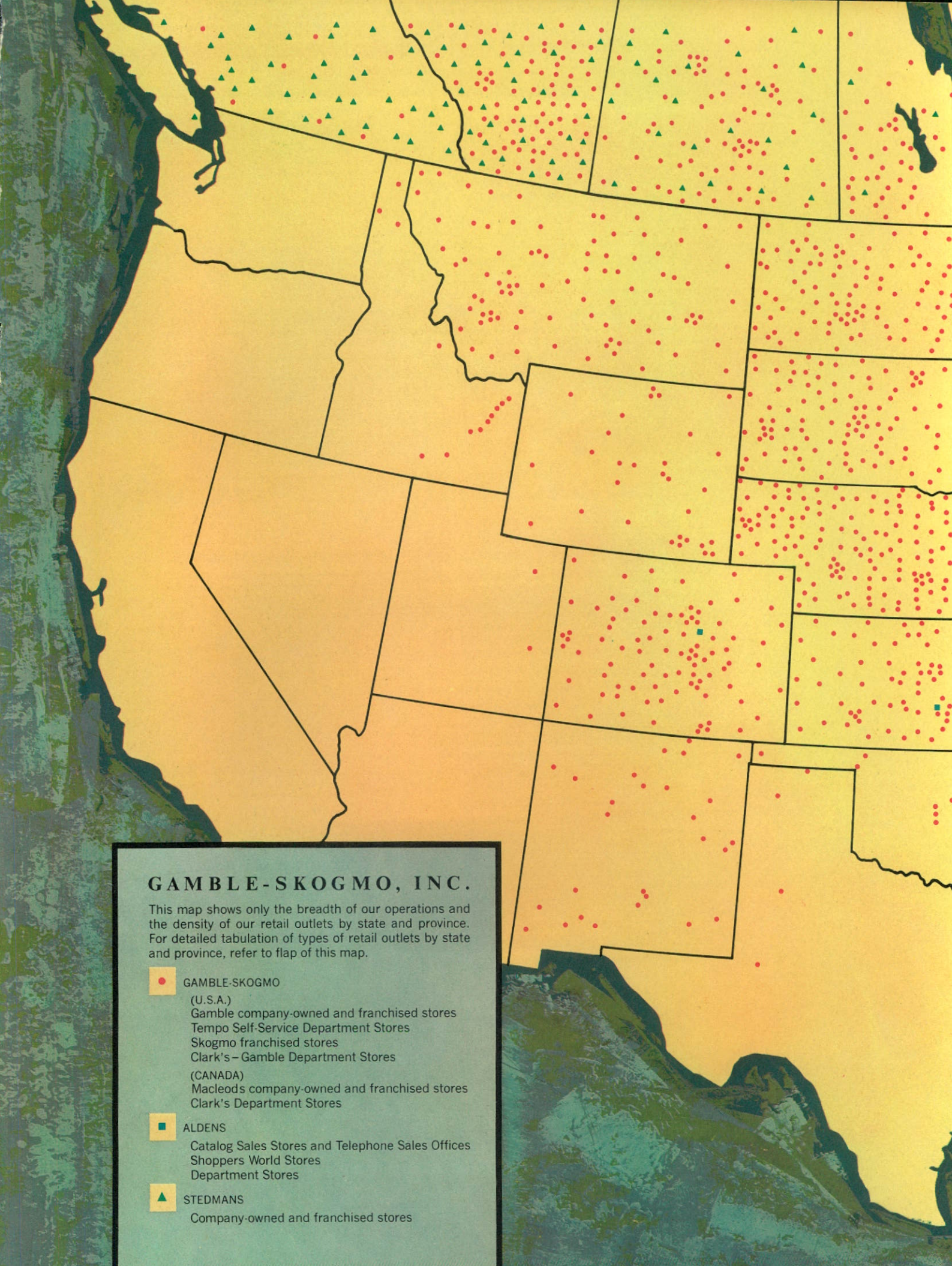
State	ALDENS, INC.				GAMBLE-SKOGMO, INC.				
	Department Stores	Shoppers World	Catalog Sales	Telephone Offices	Gamble Branches	Gamble Dealers	Skogmo Dealers	Tempo* Dept. Stores	Clark's-Gamble Stores
Arkansas.....	1					3			
Colorado.....				1	14	71	2	3	
Connecticut.....				1					
Idaho.....						12		1	
Illinois.....	5	10	26	5	10	94	3	2	
Indiana.....	5	2	8	1	6	41	3		1
Iowa.....	2		4	1	33	125	8	1	1
Kansas.....				1	15	94	12	3	
Kentucky.....	3		1	1		9			
Louisiana.....	1								
Maine.....	1								
Maryland.....				1					
Massachusetts.....				1					
Michigan.....	1		11	5	19	144	13	2	
Minnesota.....		1	1	1	29	223	51	8	
Missouri.....			1	1	7	67		4	
Montana.....					10	67	8	3	
Nebraska.....				2	20	125	14	1	
New Mexico.....					3	24			
New York.....				4					
North Carolina.....									1
North Dakota.....					8	69	16	5	
Ohio.....	1		11	4	6	13			1
Oklahoma.....				1		7			
Pennsylvania.....	1			3					
South Carolina.....	1								
South Dakota.....					12	81	13	2	
Tennessee.....						2			
Texas.....						2			2
Utah.....						2			
Wisconsin.....			10		29	166	41	2	
Wyoming.....					7	21	1	1	
Total.....	22	13	73	34	228	1,462	185	38	6

*Includes five Gamble Department stores in Kansas City area.

NUMBER OF STORES BY PROVINCE




Province	MACLEODS		STEDMANS		CLARK'S-GAMBLE LTD. Company Owned
	Branches	Dealers	Branches	Dealers	
Alberta.....	30	44	7	27	
British Columbia.....	7	1	17	23	
Manitoba.....	12	38	1	3	3
New Brunswick.....			16	3	
Newfoundland.....			1		
Nova Scotia.....			23	5	
Ontario.....	3	4	73	110	1
Prince Edward.....			1	2	
Quebec.....			2	3	
Saskatchewan.....	25	56	4	18	
Total.....	77	143	145	194	4

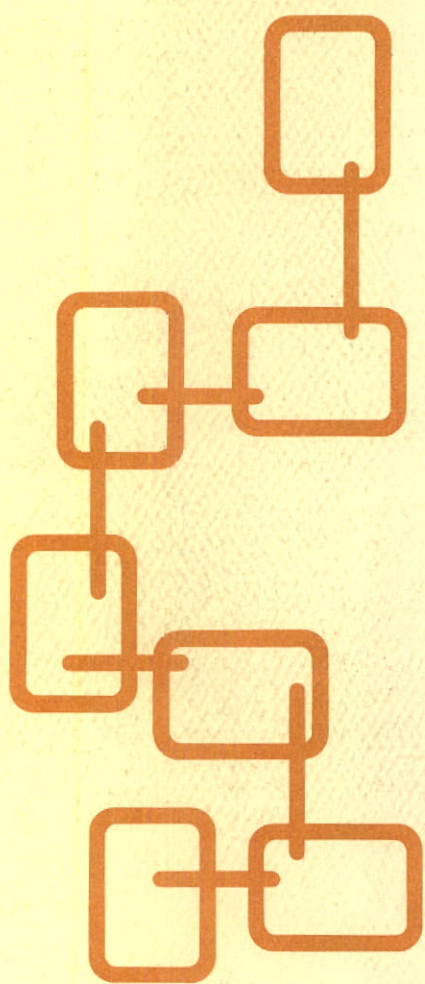




GAMBLE-SKOGMO, INC.

This map shows only the breadth of our operations and the density of our retail outlets by state and province. For detailed tabulation of types of retail outlets by state and province, refer to flap of this map.

-  **GAMBLE-SKOGMO**
(U.S.A.)
Gamble company-owned and franchised stores
Tempo Self-Service Department Stores
Skogmo franchised stores
Clark's - Gamble Department Stores
(CANADA)
Macleods company-owned and franchised stores
Clark's Department Stores
-  **ALDENS**
Catalog Sales Stores and Telephone Sales Offices
Shoppers World Stores
Department Stores
-  **STEDMANS**
Company-owned and franchised stores



GAMBLE-SKOGMO, INC.

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