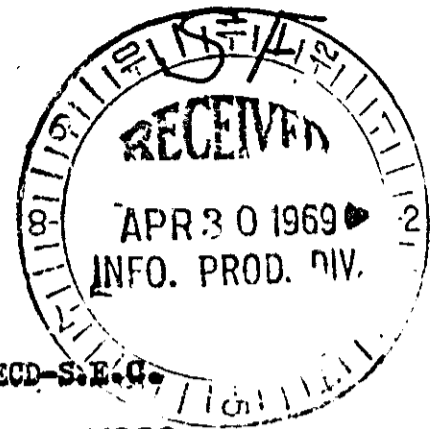


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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549



APR 25 1969

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year beginning December 31, 1967 and ended December 28, 1968 Commission file number 0-853

BERKSHIRE HATHAWAY INC.

(Exact name of registrant as specified in its charter)

MASSACHUSETTS

(State or other jurisdiction of incorporation or organization)

04-225-4452

(I.R.S. Employer Identification No.)

97 COVE STREET, NEW BEDFORD, MASSACHUSETTS
(Address of principal executive offices)

02741
(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, \$5 PAR VALUE
(Title of Class)

BERKSHIRE HATHAWAY INC.

FORM 10-K

APRIL 23, 1969

Item 1. Number of Equity Security Holders

(A)	(B)
<u>Title of class</u>	<u>Approximate number of record holders April 4, 1969</u>
Common stock, \$5 par value	1,557

Item 2. Increases and Decreases in Outstanding Equity Securities

There were no changes in outstanding equity securities for the year.

Item 3. Parents and Subsidiaries of Registrant

- (a) As of April 7, 1969 Buffett Partnership, Ltd., a limited partnership under Nebraska law, owned approximately 69.99% of Registrant's outstanding shares, excluding treasury stock. Mr. Warren E. Buffett, a director of the Registrant, is the sole general partner of the partnership.
- (b) The following list shows the significant subsidiaries of the Registrant. Neither of these subsidiaries is included in the Registrant's consolidated statements for the period ended December 28, 1968.

Name	<u>Jurisdiction of Incorporation</u>
National Fire & Marine Insurance Company	Nebraska
National Indemnity Company	Nebraska

Registrant owns all of the outstanding stock of National Fire & Indemnity Company and 99% of the outstanding stock of National Indemnity Company.

Items 4 to 9 inclusive

These items are not restated or inserted by the Registrant inasmuch as since the close of the fiscal year ended December 28, 1968 the Registrant has filed with the Commission a definitive Proxy Statement pursuant to Regulation 14A for the annual meeting of stockholders which was held April 22, 1969 which Proxy Statement involved, among other things, the election of Directors and which Proxy Statement was transmitted to the Securities and Exchange Commission by letter dated April 8, 1969. The persons named as nominees for membership in the Board of Directors in said Proxy Statement were elected at the annual meeting of the stockholders of the corporation held April 22, 1969.

Item 10. Financial Statements and Exhibits

(a) See financial statements and auditor's certificate attached.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this Annual Report to be signed on its behalf by the undersigned thereunto duly authorized.

BERKSHIRE HATHAWAY INC.

By *Kenneth V. Chace*
Kenneth V. Chace
President

DATED: April 23, 1969

Item 10(a) Financial Statements

Consolidated financial statements for the year ended December 28, 1968:

Accountants' Report

Consolidated Balance Sheet as of December 28, 1968

Consolidated Statement of Earnings and Retained Earnings for the year ended December 28, 1968

Notes to Consolidated Financial Statements

- Schedule I Marketable Securities
- Schedule III Investments in Securities of Affiliates
- Schedule V Properties, Plants and Equipment
- Schedule VI Accumulated Depreciation of Properties, Plants and equipment
- Schedule IX Bonds, Mortgages, and Similar Debt
- Schedule XII Reserves
- Schedule XVII Equity in Net Profit and Loss of Affiliates

All other schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

Exhibit 1 National Indemnity Company
Accountants' Report - Financial Statements -
December 31, 1968

Exhibit 2 National Fire & Marine Insurance Company
Accountants' Report - Financial Statements -
December 31, 1968

The financial statements of the registrant are omitted as it is primarily an operating company and its Canadian subsidiary included in the consolidated financial statements is totally held.

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' REPORT

The Board of Directors
Berkshire Hathaway Inc.:

We have examined the consolidated financial statements and related schedules of Berkshire Hathaway Inc. and subsidiary as listed in the accompanying index. 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, such financial statements present fairly the consolidated financial position of Berkshire Hathaway Inc. and its subsidiary at December 28, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the treatment of realized gains of insurance company subsidiaries as explained in Note 10 of Notes to Consolidated Financial Statements. Also, in our opinion, the supporting schedules present fairly the information set forth therein.

PEAT, MARWICK, MITCHELL & CO.

Peat Marwick Mitchell & Co

Providence, Rhode Island
February 28, 1969, except for
Note 13 as to which the date
is April 18, 1969.

BERKSHIRE HATHAWAY INC.
Consolidated Balance Sheet
December 28, 1968

<u>Assets</u>		<u>Liabilities and Stockholders' Equity</u>	
Current assets:			
Cash	\$ 1,605,600	Current liabilities:	
Marketable securities, at cost (note 2) (Schedule I)	5,421,384	Note payable - bank, unsecured	\$ 2,000,000
Accounts receivable - trade, including \$1,029 due from officers, net of allowance for doubtful accounts (\$281,418) (Schedule XII)	7,563,123	Accounts payable and accrued expenses	3,717,188
Inventories, at the lower of cost (first-in, first- out) or market (note 3)	12,332,943	Accrued payroll	319,260
Prepaid and deferred charges (including mortgage note of approximately \$15,200 due from officer)	<u>199,501</u>	Accrued interest	32,536
Total current assets	27,122,551	Accrued payroll taxes	187,546
		Accrued Federal, State, and local taxes (note 6)	<u>637,059</u>
		Total current liabilities	6,893,589
Properties, plants and equipment, at cost (note 4) (Schedule V):		Long-term debt:	
Land	\$ 106,555	7 1/2% subordinated debentures (note 7) (Schedule IX)	641,300
Buildings	3,715,838	Stockholders' equity:	
Machinery and equipment	15,651,551	Common stock, \$5 par value. Authorized 1,722,983 shares; issued 1,017,547 shares	\$ 5,087,735
Furniture and fixtures	428,094	Retained earnings	<u>31,694,706</u>
Leasehold improvements	94,232		36,782,441
Motor vehicle	<u>2,423</u>	Less 32,065 shares of common stock in treasury, at cost	<u>577,170</u>
	19,998,693	Total stockholders' equity	36,205,271
Less accumulated depreciation and amortization (Schedule VI)	<u>16,136,069</u>	Commitments and contingencies (notes 9, 11, 12, and 13)	
Net properties, plants and equipment	3,862,624		
Investment in unconsolidated subsidiaries (note 5) (Schedule III)	<u>12,754,985</u>		
	<u>\$ 43,740,160</u>		<u>\$ 43,740,160</u>

See accompanying notes to financial statements.

BERKSHIRE HATHAWAY INC.

Consolidated Statement of Earnings and Retained Earnings

Year ended December 28, 1968

Operating income:	
Net sales of textile products	\$ 46,002,417
Equity in earnings of unconsolidated subsidiary insurance companies (notes 5 and 6) (Schedule XVII)	1,789,402
Dividends from marketable securities	223,024
Interest from marketable securities	131,558
Interest - other	34,456
	<u>48,180,857</u>
Operating costs:	
Cost of sales (note 3)	41,321,747
Administrative and selling expenses	3,110,628
Interest on long-term debt	47,746
Interest on note payable - bank	254,106
Amortization of bond discount	3,196
Other interest	61,035
Federal income taxes (note 6)	728,000
	<u>45,526,458</u>
Earnings from operations	<u>2,654,399</u>
Investment gains, net of taxes on gains (note 6):	
Gains realized by Parent Company (first-in, first-out)	1,467,752
Gains realized by unconsolidated insurance subsidiaries (notes 5 and 6)	706,504
Total investment gains	<u>2,174,256</u>
Earnings before extraordinary items	<u>4,828,655</u>
Extraordinary items:	
Loss on liquidation of mill properties, net of \$372,000 income tax benefit	(332,319)
Reduction in Federal income taxes (note 8)	166,000
	<u>(166,319)</u>
Net earnings	4,662,336
Retained earnings, beginning	<u>27,032,370</u>
Retained earnings, ending	<u>\$ 31,694,706</u>
Per share of outstanding common stock:	
Earnings from operations	2.69
Investment gains	2.21
Extraordinary items	(.17)
Net earnings	<u>\$ 4.73</u>

See accompanying notes to financial statements.

BERKSHIRE HATHAWAY INC.

Notes to Consolidated Financial Statements

December 28, 1968

(1) Basis of Consolidation

The accompanying financial statements consolidate the accounts of Berkshire Hathaway Inc. with its wholly-owned noninsurance Canadian subsidiary. The accounts of National Indemnity Company, over 99% owned by Berkshire Hathaway Inc., and National Fire & Marine Insurance Company, 100% owned, are not consolidated. The statement of earnings reflects equity of Berkshire Hathaway Inc. in earnings, excluding unrealized investment gains, of these functionally independent operations, and the balance sheet valuation is at cost plus equity in such earnings since purchase in March 1967.

Canadian currency has been converted into United States dollars as follows:

(1) current assets and liabilities at rates of exchange in effect at the close of the year, (2) properties at rates in effect when acquired, and (3) income, costs and expenses at average rates of exchange for the year, except depreciation and amortization which are based on the dollar costs of the properties. The net unrealized loss on such conversions (not significant) has been carried to income.

The excess of the Company's cost over its equity in its Canadian subsidiary (\$14,510) representing losses since acquisition has been charged to retained earnings in consolidation.

Intercompany balances and transactions have been eliminated in preparing the consolidated financial statements.

Berkshire Hathaway Inc. had no other investments in foreign or domestic affiliates, except subsidiaries formed in December 1968 (See note 12).

(2) Marketable Securities

The market value of the securities portfolio, primarily marketable common stocks, was \$11,824,000 at December 28, 1968.

(3) Inventories

The inventories used in the computation of cost of sales were as follows:

December 30, 1967	\$ 11,585,598
December 28, 1968	12,332,943

At December 28, 1968 inventories consisted of the following:

Raw materials and supplies	\$ 2,025,230
Stock in process	2,709,075
Cloth	<u>7,598,638</u>
	\$ <u>12,332,943</u>

BERKSHIRE HATHAWAY INC.

Notes to Consolidated Financial Statements, Continued

(4) Properties, Plants and Equipment

The Company's general policy is to provide for depreciation over the estimated useful lives as allowed by taxing authorities. Except for new additions subsequent to 1965 which are depreciated on the double-declining balance method, depreciation is provided on the straight-line basis. Leasehold improvements are being amortized over the lives of the leases. Lives used in computing the annual amount of depreciation and amortization are as follows:

	<u>Lives</u>
Buildings	10 to 27 years
Machinery and equipment	15 years
Furniture and fixtures	10 years
Leasehold improvements	3 to 10 years
Motor vehicle	4 years

Maintenance, repairs, and renewals of a minor nature are charged to income as incurred. Renewals of a major nature and betterments which extend the useful life of plant and equipment are capitalized.

Upon the sale or retirement of plant and equipment, the applicable accumulated depreciation is eliminated from the accumulated allowance, and the profit or loss resulting from such sale or retirement is reflected in earnings.

No items of plant and equipment were pledged to secure any indebtedness.

(5) Unconsolidated Subsidiaries

The combined adjusted equity of unconsolidated insurance subsidiaries at December 31, 1968 was \$14,677,000. Such figure includes \$1,523,000 of unrealized appreciation of investments, net of applicable income taxes.

(6) Taxes on Income

The Company and its subsidiaries file separate income tax returns. Equity in earnings of unconsolidated subsidiary insurance companies, and investment gains of the parent and subsidiaries for the year ended December 28, 1968 are reflected net of income taxes of the following amounts:

Taxes on income, other than investment gains, of unconsolidated subsidiary insurance companies	\$ 384,248
Taxes on investment gains (parent company)	575,000
Taxes on investment gains of unconsolidated subsidiary insurance companies	<u>267,984</u>



BERKSHIRE HATHAWAY INC.

Notes to Consolidated Financial Statements, Continued

(7) 7 1/2% Subordinated Debentures

Debentures bear interest at the rate of 7 1/2%, payable February 1 and August 1, and will be due on August 1, 1987. The debentures are not secured by any lien and are not convertible; they are subordinated to senior indebtedness which includes indebtedness of the Company for money borrowed. The debentures may, at the Company's option, be redeemed at 105% through July 31, 1973 and thereafter at 100%. The indenture under which the debentures are issued requires the Company to provide for the retirement by redemption, through a sinking fund, on August 1 in each of the years 1973 to and including 1986, of one-fifteenth of the total amount of debentures issued. Redemption through the sinking fund shall be at principal amount plus accrued interest.

(8) Reduction in Federal Income Taxes

The reduction in Federal income taxes of \$166,000 represents carryover of investment tax credits from prior periods. There are no unused operating loss carryovers or investment tax credits at December 28, 1968.

(9) Pension Plan

The Company has a noncontributory pension plan for salaried employees. Benefits are funded through the medium of an independently trustee fund, the assets of which exceed the actuarially computed vested and nonvested benefits. The current year's pension expense was \$47,900 and represents normal costs less amortization of the actuarial gains on a ten-year basis. The most recent actuarial report dated August 1, 1968 indicates that there was no unfunded prior service liability at that time.

(10) Treatment of Realized Gains of Insurance Company Subsidiaries

Realized gains of insurance company subsidiaries in prior periods had been classified as extraordinary items. For the year ended December 28, 1968, these gains have been classified under the caption "Investment Gains" to reflect management's opinion that they are a part of the determination of earnings before extraordinary items.

(11) Long-Term Leases and Stock Options

The Company occupies office and warehouse space under long-term leases which call for total annual payments of \$107,000 and aggregate rentals of \$459,000 over the lives of such leases.

The Company has no stock option plans in effect.

(12) Commitments

Additional subsidiaries were formed in December for the purpose of acquiring certain printing and publishing operations. Commitments for such acquisition were not material in amount at December 28, 1968.

BERKSHIRE HATHAWAY INC.

Notes to Consolidated Financial Statements, Continued

(13) Subsequent Event

On April 3, 1969, Berkshire Hathaway Inc. acquired 81,989 shares, out of a total of 100,000 shares outstanding, of the common stock of the Illinois National Bank and Trust Co. of Rockford, Illinois, at a cash price of \$190.00 per share. They also have made a tender offer to acquire the remaining outstanding shares at the same cash price.

(14) Supplementary Profit and Loss Information:

	<u>Charged directly to profit and loss</u>		
	<u>To cost of sales</u>	<u>Other</u>	<u>Total</u>
Maintenance and repairs	\$ <u>165,675</u>	<u>22,763</u>	<u>188,438</u>
Depreciation and amortization	\$ <u>598,236</u>	<u>63,825</u>	<u>662,061</u>
Taxes, other than income taxes:			
Payroll taxes	680,923	55,188	736,111
Real estate and personal property taxes	115,225	6,680	121,905
Other State and local taxes	<u>74,274</u>	<u>23,715</u>	<u>97,989</u>
	\$ <u>870,422</u>	<u>85,583</u>	<u>956,005</u>
Rents	\$ <u>26,622</u>	<u>150,905</u>	<u>177,527</u>

There were no royalty agreements, no management or service contract fees.

BERKSHIRE HATHAWAY INC.

Marketable Securities

Year ended December 28, 1968

Schedule I

<u>Security</u>	<u>Number of shares or face value</u>	<u>Amount at which carried on balance sheet (cost)</u>	<u>Value based on current market quotations at balance sheet date</u>
Common stocks:			
American Express Co.	45,000	\$ 1,065,000	3,454,000
John Blair & Co.	13,400	227,880	683,000
Crompton Company	800	23,203	26,000
Disney Productions	14,498.28	290,669	1,247,000
Florida Gas Company	500	6,504	10,000
Investors Diversified Services A	40,676	1,162,456	2,191,000
Investors Diversified Services B	2,100	14,962	29,000
Massachusetts Indemnity & Life Insurance Co.	2,200	55,462	99,000
Rank Organization Ltd.	11,175	37,977	137,000
Sperry & Hutchinson Co.	57,500	1,036,209	2,429,000
Wm. Wrigley, Jr.	1,600	<u>165,902</u>	<u>184,000</u>
		<u>4,086,224</u>	<u>10,489,000</u>
Commercial paper:			
General Motors Acceptance Corporation			
Notes:			
6% due February 21, 1969	\$ 1,100,000	1,087,717	1,088,000
6 1/8% due February 21, 1969	100,000	98,928	99,000
6 1/4% due February 21, 1969	150,000	<u>148,515</u>	<u>148,000</u>
		<u>1,335,160</u>	<u>1,335,000</u>
		<u>\$ 5,421,384</u>	<u>11,824,000</u>

BERKSHIRE HATHAWAY INC.
Investments in Securities of Affiliates
Year ended December 28, 1968

Schedule III

Name of issue and title of issue	Balance at beginning of period		Number of shares	Additions			Balance at close of period	
	Number of shares	Amount in dollars		Amount in dollars	Equity in earnings		Number of shares	Amount in dollars
				Excluding investment gains	Realized investment gains			
<u>Subsidiary consolidated</u>								
Bourne Mills of Canada, Ltd.	1,197	\$ 14,364	none	none	none	1,197	\$ 14,364	
Eliminated in consolidation		<u>(14,364)</u>					<u>(14,364)</u>	
		none					none	
<u>Subsidiaries not consolidated</u>								
National Indemnity Company	139,921	8,318,732	59,966 1/7 (A)	none	1,573,265	576,950	199,887 1/7	10,468,947
National Fire & Marine Insurance Company	<u>5,000</u>	<u>1,940,347</u>	<u>none</u>	none	<u>216,137</u>	<u>129,554</u>	<u>5,000</u>	<u>2,286 38</u>
		<u>\$ 10,259,079</u>			<u>1,789,402</u>	<u>706,504</u>		<u>12,754,985</u>

(A) Three for seven stock dividend.

See Notes 1 and 5 to financial statements; Schedule XVII; and Exhibits 1 and 2.

BERKSHIRE HATHAWAY INC.

Properties, Plants and Equipment

Year ended December 28, 1968

Schedule V

<u>Classification</u>	<u>Balance at beginning of period</u>	<u>Additions at cost</u>	<u>Retirements or sales</u>	<u>Balance at close of period</u>
Land	\$ 116,985		10,430	106,555
Buildings	3,849,278	63,037	196,477	3,715,838
Machinery and equipment	20,400,025	152,622	4,901,096	15,651,551
Furniture and fixtures	380,978	51,758	4,642	428,094
Leasehold improvements	127,313	3,932	37,013	94,232
Motor vehicle	4,022		1,599	2,423
	<u>\$ 24,878,601</u>	<u>271,349</u>	<u>5,151,257</u>	<u>19,998,693</u>



BERKSHIRE HATHAWAY INC.

Accumulated Depreciation of Properties, Plants and Equipment

Year ended December 28, 1968

Schedule VI

<u>Classification</u>	<u>Balance at beginning of period</u>	<u>Additions</u> Charged to profit and loss or income	<u>Deductions</u> Retirements, renewals and replacements	<u>Balance at close of period</u>
Buildings	\$ 2,823,680	71,517	131,719	2,763,478
Machinery and equipment	16,075,403	551,240	3,622,891	13,003,752
Furniture and fixtures	323,379	18,748	4,399	337,728
Leasehold improvements	12,675	20,158	3,747	29,086
Motor vehicle	<u>3,177</u>	<u>398</u>	<u>1,550</u>	<u>2,025</u>
	\$ <u>19,238,314</u>	<u>662,061</u>	<u>3,764,306</u>	<u>16,136,069</u>

BERKSHIRE HATHAWAY INC.
 Bonds, Mortgages, and Similar Debt
 Year ended December 28, 1968

Schedule IX

Name of issuer and Title of each issue	Amount authorized by indenture	Amount issued and not retired or cancelled	Amount which is		Amount included in balance sheet	Amount in sinking fund of issuer thereof	Amount pledged by issuer thereof	Amount held by affiliates for which statements are filed herewith	
			Held by or for account of issuer thereof	Not held by or for account of issuer thereof				Included in consolidation	Others
Berkshire Hathaway Inc. 7 1/2% subordinated debentures due August 1, 1987	\$ <u>9,000,000</u>	<u>641,300</u>	<u>none</u>	<u>641,300</u>	<u>641,300</u>	<u>none</u> (1)	<u>none</u>	<u>none</u>	<u>none</u>

(1) See Note 7 for provisions of sinking fund requirements beginning August 1, 1973.

BERKSHIRE HATHAWAY INC.

Reserves

Year ended December 28, 1968

Schedule XII

	<u>Balance at beginning of period</u>	<u>Additions</u> charged to profit and loss or income	<u>Deductions (1)</u>	<u>Balance at end of period</u>
Allowance for doubtful accounts	\$ <u>220,966</u>	<u>100,951</u>	<u>40,499</u>	<u>281,418</u>

(1) Accounts written off, less recoveries.

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BERKSHIRE HATHAWAY INC.

Equity in Net Profit and Loss of Affiliates

Year ended December 28, 1968

Schedule XVII

Name of Issuer and Title of Issue	Amount of dividends			Amount of net profit and loss for the period (1)		
	Cash	Other	Total	Earnings, excluding realized gains	Realized gains	Total
National Indemnity Company, 199,887 1/7 shares	none	none	none	\$ 1,573,265	576,950	2,150,215
National Fire & Marine Insurance Company, 5,000 shares	none	none	none	216,137	129,554	345,691
	none	none	none	\$ 1,789,402	706,504	2,495,906

(1) Following is a summary of earnings of insurance company subsidiaries adjusted from the statutory basis to a generally accepted accounting principles basis:

	National Indemnity Company	National Fire and Marine Insurance Company	Total
Net income - statutory basis	\$ 2,109,870	296,829	2,496,699
Net realized gains on investments	(796,242)	(178,694)	(974,936)
Federal income taxes applicable to net realized gains	218,967	49,140	268,107
Increase (decrease) in estimated equity in unearned premiums	(102,642)	103,521	879
(Increase) decrease in future income taxes applicable to change in estimated equity in unearned premiums	54,194	(54,659)	(465)
Net earnings, as adjusted (excluding investment gains)	1,574,147	216,137	1,790,284
Percent owned by Berkshire Hathaway Inc.	99.94357%	100%	
Berkshire Hathaway Inc.'s share	\$ 1,573,265	216,137	1,789,402
Net realized gains	796,242	178,694	974,936
Less applicable taxes	(218,966)	(49,140)	(268,106)
Realized gains	577,276	129,554	706,830
Percent owned by Berkshire Hathaway Inc.	99.94357%	100%	
Berkshire Hathaway Inc.'s share	\$ 576,950	129,554	706,504

(2) Consolidated retained earnings of Berkshire Hathaway Inc. includes \$4,170,205 of undistributed earnings of these insurance subsidiaries at December 28, 1968.

(3) See Notes 1 and 5 to financial statements; Schedule III; and Exhibits 1 and 2.

EXHIBIT 1

NATIONAL INDEMNITY COMPANY

Accountants' Report

Financial Statements - December 31, 1968



PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

KIEWIT PLAZA

OMAHA, NEBRASKA 68131

The Board of Directors
National Indemnity Company:

We have examined the statutory statement of assets and liabilities of National Indemnity Company as of December 31, 1968 and the related statements of income and paid-in and unassigned surplus for the year then ended. We have also examined the supplemental statements of adjusted income and stockholders' equity. 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, such financial statements present fairly the statutory financial position of National Indemnity Company at December 31, 1968 and the income and changes in paid-in and unassigned surplus for the year then ended, in conformity with insurance accounting principles prescribed or permitted under statutory authority applied on a basis consistent with that of the preceding year. These principles vary in some respects from generally accepted accounting principles, as explained in note 1 to the financial statements. Also, in our opinion, the supplemental statements of adjusted income and stockholders' equity present fairly net income for the year ended December 31, 1968 and the stockholders' equity at that date in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 17, 1969

Peat, Marwick, Mitchell & Co.

NATIONAL INDEMNITY COMPANY

Statement of Assets and Liabilities

December 31, 1968
with comparative figures for 1967

<u>Assets</u>	<u>1968</u>	<u>1967</u>
Bonds, at admitted value (note 3)	\$ 27,208,728	21,837,869
Stocks, at market value (note 3):		
Preferred (cost, 1968 \$26,963; 1967 \$68,491)	19,490	53,493
Common (cost, 1968 \$6,302,724; 1967 \$6,167,017)	<u>8,067,196</u>	<u>6,340,674</u>
	<u>8,086,686</u>	<u>6,394,167</u>
Real estate, at cost less allowance for depreciation of \$194,539 (1967, \$160,300) (note 4)	1,026,105	1,058,212
Cash and bank deposits	509,778	464,539
Agents' balances and premiums in course of collection, less ceded reinsurance balances payable of \$128,904 (1967, \$721,372)	2,205,360	1,407,001
Reinsurance recoverable on loss payments	292,549	769,442
Investment income due and accrued	431,820	330,801
Amounts due from sales of securities	3,170	325,996
Other	<u>33,356</u>	<u>72,531</u>
	<u>\$ 39,797,552</u>	<u>32,660,558</u>

Liabilities and Capital Stock

Mortgage and contract payable on rental property	\$ 37,351	46,520
Unearned premiums (note 5)	6,817,002	7,159,140
Losses and loss adjustment expenses (note 6)	17,324,317	13,165,162
Funds held under reinsurance treaties	734,010	672,013
Contingent commissions	510,300	886,500
Other expenses	81,208	72,130
Taxes, licenses and fees	525,786	475,318
Federal income taxes (note 7)	231,500	88,000
Agents' and policyholders' deposits	405,531	387,951
Statutory reserve for bodily injury and compensation losses	344,078	487,395
Amounts due for purchases of securities	1,231,012	1,604,794
Other liabilities	<u>46,487</u>	<u>57,771</u>
	<u>28,288,632</u>	<u>25,102,694</u>
Capital stock and surplus:		
Common stock of \$10 par value per share.		
Authorized 250,000 shares; issued 200,000 shares (140,000 in 1967) (note 8)	2,000,000	1,400,000
Paid-in surplus	301,250	301,250
Unassigned surplus	<u>9,207,670</u>	<u>5,856,614</u>
	<u>11,508,920</u>	<u>7,557,864</u>
	<u>\$ 39,797,552</u>	<u>32,660,558</u>

See accompanying notes to financial statements.

NATIONAL INDEMNITY COMPANY

Statement of Income

Year ended December 31, 1968
with comparative figures for 1967

	<u>1968</u>	<u>1967</u>
Underwriting income:		
Net premiums written	\$ 19,999,000	18,122,958
(Increase) decrease in unearned premiums	<u>342,137</u>	<u>(1,295,184)</u>
Premiums earned	20,341,137	16,827,774
Losses and loss expenses incurred	<u>13,343,028</u>	<u>11,057,523</u>
	<u>6,998,109</u>	<u>5,770,251</u>
Underwriting expenses:		
Commissions and brokerage	4,540,886	3,763,414
Salaries and other compensation	699,168	575,306
Taxes, licenses and fees	571,711	548,837
Other underwriting expenses	615,233	572,352
	<u>6,426,998</u>	<u>5,459,909</u>
Net underwriting gain	<u>571,111</u>	<u>310,342</u>
Investment income:		
Interest on bonds	1,130,307	890,958
Dividends on stock	304,153	257,474
Real estate income	168,969	117,198
Other investment income	-	14,485
	<u>1,603,429</u>	<u>1,280,115</u>
Investment expenses	<u>167,843</u>	<u>124,674</u>
	<u>1,435,586</u>	<u>1,155,441</u>
Profit from underwriting and investments	2,006,697	1,465,783
Other income	-	68
	<u>2,006,697</u>	<u>1,465,851</u>
Other expense	6,049	44,539
Income before Federal income taxes and realized gains on investments	2,000,648	1,421,312
Federal income taxes	<u>378,053</u>	<u>236,885</u>
Net income before realized gains on investments	<u>1,622,595</u>	<u>1,184,427</u>
Realized gains on investments	796,242	657,785
Less Federal income taxes on gains	218,967	164,446
	<u>577,275</u>	<u>493,339</u>
Net income	<u>\$ 2,199,870</u>	<u>1,677,766</u>
Depreciation	<u>\$ 59,913</u>	<u>24,231</u>

See accompanying notes to financial statements.

NATIONAL INDEMNITY COMPANY

Statements of Paid-In and Unassigned Surplus

Year ended December 31, 1968
with comparative figures for 1967

<u>Paid-In Surplus</u>	<u>1968</u>	<u>1967</u>
Beginning and end of year	\$ 301,250	301,250
	<u> </u>	<u> </u>
<u>Unassigned Surplus</u>		
Beginning of year	\$ 5,856,614	3,907,531
Net income	2,199,870	1,677,766
Increase in net unrealized appreciation of investments	1,608,414	184,241
Decrease in liability for unauthorized reinsurance	12,670	116,407
Increase in excess of bodily injury liability and compensation statutory and voluntary reserves over case basis and loss expense reserves (Schedule "P" reserve)	143,318	82,146
Increase in nonadmitted assets	(13,216)	(111,477)
Stock dividend (note 8)	<u>(600,000)</u>	<u>-</u>
End of year	\$ 9,207,670	5,856,614
	<u> </u>	<u> </u>

See accompanying notes to financial statements.

NATIONAL INDEMNITY COMPANY

Statement of Adjusted Income

Year ended December 31, 1968
with comparative figures for 1967

	<u>1968</u>	<u>1967</u>
Net income as shown in the accompanying statement of income - statutory basis	\$ <u>2,199,870</u>	<u>1,677,766</u>
Adjustments to net income:		
Net realized gain on investments (to segregate from adjusted net earnings)	(796,242)	(657,785)
Federal income taxes applicable to net realized gains	218,967	164,446
Increase (decrease) in estimated equity in unearned premiums	(102,642)	388,555
(Increase) decrease in future income taxes applicable to change in estimated equity in unearned premiums	<u>54,194</u>	<u>(194,278)</u>
	<u>(625,723)</u>	<u>(299,062)</u>
Net earnings, as adjusted (excluding investment gains)	\$ 1,574,147	1,378,704
Investment gains:		
Net realized gains	796,242	657,785
Less applicable income taxes	<u>218,966</u>	<u>164,446</u>
	<u>577,276</u>	<u>493,339</u>
Increase in net unrealized gains	1,737,273	184,241
Less allowance for future income taxes	<u>477,740</u>	<u>46,060</u>
	<u>1,259,533</u>	<u>138,181</u>
Net investment gain	\$ <u>1,836,809</u>	<u>631,520</u>

See accompanying notes to financial statements.

NATIONAL INDEMNITY COMPANY

Statement of Adjusted Stockholders' Equity

December 31, 1968
with comparative figures for 1967

	<u>1968</u>	<u>1967</u>
Capital shares and surplus as shown in the accompanying statement of assets and liabilities - statutory basis	\$ 11,503,920	7,557,864
Adjustments to capital shares and surplus:		
Equity in unearned premium reserve, estimated at 30% of reserve	2,045,100	2,147,742
Statement value of bonds over market value	(83,924)	(212,783)
Reserve for reinsurance with unauthorized companies	44,823	57,493
Excess bodily injury liability and compensation statutory reserves over case basis	344,077	487,395
Nonadmitted assets (note 2)	<u>165,562</u>	<u>152,346</u>
	<u>2,515,638</u>	<u>2,632,193</u>
Adjusted equity before income taxes applicable to equity in unearned premiums and unrealized appreciation on investments	14,024,558	10,190,057
Less Federal income taxes applicable to estimated equity in unearned premiums and unrealized appreciation on investments	<u>1,475,186</u>	<u>1,051,641</u>
Adjusted stockholders' equity	<u>\$ 12,549,372</u>	<u>9,138,416</u>

See accompanying notes to financial statements.

NATIONAL INDEMNITY COMPANY

Notes to Financial Statements

December 31, 1968

(1) Basis of Presentation:

The accompanying financial statements have been prepared, except as to form, on the basis of the requirements for reporting in the annual statements filed with the Insurance Departments of the respective domiciliary states.

The financial statements have been prepared in conformity with insurance accounting principles prescribed or permitted under statutory authority which differ in some respects from generally accepted accounting principles followed by other business enterprises in determining financial position and results of operations. Pursuant to such practices (a) investment securities are carried in accordance with valuations established by the National Association of Insurance Commissioners, i.e. eligible bonds are carried at cost adjusted, where appropriate, for amortization of premium or discount, and other bonds and stocks are carried at market values with no provision for income taxes relative to unrealized appreciation in such investments; (b) premium income is taken into earnings on a pro rata basis over the periods covered by the policies, whereas related acquisition and commission costs are charged off when incurred; (c) statutory loss reserves are required on certain lines of insurance in excess of losses computed on a case basis; (d) assets are included in the statement of assets and liabilities at "admitted asset value" and "nonadmitted assets" are excluded (see note 2); and (e) a provision is made for unearned premiums and losses recoverable, in excess of funds held, on business reinsured with companies not qualified by license. The effects of such differences is shown in the accompanying supplemental statements of adjusted stockholders' equity and adjusted net income.

(2) Nonadmitted Assets:

The assets in the accompanying statement of assets and liabilities are stated at admitted asset value. The term "admitted assets" means the assets stated at values at which they are permitted to be reported to the respective domiciliary state regulatory authority for statement of asset and liability purposes in the annual report in accordance with the rules and regulations of such regulatory authority. The term "nonadmitted assets" means assets other than assets which are so permitted to be reported.

Assets which have been excluded from the statement of assets and liabilities at December 31, 1968 are as follows:

Agents' balances or uncollected premiums	4,898
Equipment and furniture	156,327
Other	<u>4,337</u>
	<u>\$ 165,562</u>

NATIONAL INDEMNITY COMPANY

Notes to Financial Statements, Continued

(3) Bonds and Stocks:

Bonds and stocks are carried in accordance with valuations established by the National Association of Insurance Commissioners (see note 1). The market value as prescribed by the National Association of Insurance Commissioners of all bonds and the "admitted value" of bonds on deposit with regulatory authorities at December 31, 1968 was as follows:

Aggregate market value (statutory) of all bonds	\$ 27,124,807
Admitted value of bonds on deposit	<u>1,323,483</u>

The change in each period in the valuation between investments at book value and investments valued as set forth above is carried to surplus as unrealized gain or loss from investments. In accordance with rules of the Insurance Department, no provision is made for the income tax that would be payable if the securities were liquidated at the values indicated.

(4) Real Estate:

Real estate consists of the home office building and related real estate owned by National Indemnity Company and is included in the statement of assets and liabilities at cost less accumulated depreciation. Provision for depreciation of real estate is based upon the estimated useful life of the building and is computed under the straight-line method.

(5) Unearned Premiums:

Unearned premiums are computed on the monthly pro rata basis and include provisions for refunds under retrospectively rated policies and are stated after deduction on account of reinsurance placed with other insurers in the amount of \$1,891,600 at December 31, 1968.

(6) Unpaid Losses and Loss expenses:

The net reserve for unpaid losses and loss expenses is after the deduction of amounts for reinsurance placed with other insurers in the amount of \$1,279,036 at December 31, 1968.

(7) Federal Income Taxes:

Federal income tax returns have been examined through 1966 by the Internal Revenue Service and adjustments have been proposed. The company intends to file a protest and management believes that the final determination will result in a refund due to the company.

(8) Stock Dividend:

The Board of Directors by special meeting on November 26, 1968, declared a three for seven stock dividend to stockholders of record December 2, 1968.



EXHIBIT 2

NATIONAL FIRE & MARINE INSURANCE COMPANY

Accountants' Report

Financial Statements - December 31, 1968

PEAT, MARWICK, MITCHELL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

KIEWIT PLAZA

OMAHA, NEBRASKA 68131

The Board of Directors
National Fire & Marine Insurance Company:

We have examined the statutory statement of assets and liabilities of National Fire & Marine Insurance Company as of December 31, 1968 and the related statements of income and paid-in and unassigned surplus for the year then ended. We have also examined the supplemental statements of adjusted income and stockholders' equity. 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, such financial statements present fairly the statutory financial position of National Fire & Marine Insurance Company at December 31, 1968 and the income and changes in paid-in and unassigned surplus for the year then ended, in conformity with insurance accounting principles prescribed or permitted under statutory authority on a basis consistent with that of the preceding year. These principles vary in some respects from generally accepted accounting principles, as explained in note 1 to the financial statements. Also, in our opinion, the supplemental statements of adjusted income and stockholders' equity present fairly net income for the year ended December 31, 1968 and the stockholders' equity at that date in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

February 17, 1969



NATIONAL FIRE & MARINE INSURANCE COMPANY

Statement of Assets and Liabilities

December 31, 1968
with comparative figures for 1967

<u>Assets</u>	<u>1968</u>	<u>1967</u>
Bonds, at stated value (note 2)	\$ 2,992,253	2,943,073
Stocks, at market value (note 2):		
Preferred (cost, 1968 \$13,900; 1967 \$28,500)	13,200	21,000
Common (cost, 1968 \$804,554; 1967 \$872,089)	<u>1,083,704</u>	<u>928,487</u>
	1,096,904	949,487
Cash and bank deposits	<u>87,889</u>	<u>48,921</u>
Agents' balances and premiums in course of collection, less ceded reinsurance balances payable of \$81,512, 1968; \$69,856, 1967	612,758	815,774
Reinsurance recoverable on loss payments	50,374	21,932
Investment income due and accrued	52,546	45,546
Amounts due from sales of securities	-	120,223
Other	<u>1,939</u>	<u>499</u>
	<u>\$ 4,894,663</u>	<u>4,945,455</u>
<u>Liabilities and Capital Stock</u>		
Unearned premiums (note 3)	\$ 1,234,103	889,032
Losses and loss adjustment expenses (note 4)	1,225,918	2,029,378
Funds held under reinsurance treaties	309,055	85,638
Other expenses	4,061	4,290
Taxes, licenses and fees	8,455	9,882
Federal income taxes (note 5)	7,021	119,045
Statutory reserve for bodily injury and compensation losses	84,733	141,016
Amounts due for purchases of securities	66,280	276,129
Other liabilities	<u>10,898</u>	<u>25,049</u>
	<u>2,950,524</u>	<u>3,579,459</u>
Capital stock and surplus:		
Common stock at \$100 par value per share:		
Authorized and issued 5,000 shares	500,000	500,000
Paid-in surplus	50,000	50,000
Unassigned surplus	<u>1,394,139</u>	<u>215,996</u>
	<u>1,944,139</u>	<u>1,365,996</u>
	<u>\$ 4,894,663</u>	<u>4,945,455</u>

See accompanying notes to financial statements.

NATIONAL FIRE & MARINE INSURANCE COMPANY

Statement of Income

Year ended December 31, 1968
with comparative figures for 1967

	<u>1968</u>	<u>1967</u>
Underwriting income:		
Net premiums written	\$ 2,620,727	3,926,501
Less increase in unearned premiums	<u>345,072</u>	<u>280,490</u>
Premiums earned	2,275,655	3,646,011
Losses and loss expenses incurred	<u>1,455,326</u>	<u>2,208,529</u>
	<u>820,329</u>	<u>1,437,482</u>
Underwriting expenses:		
Commissions and brokerage	755,722	1,291,122
Salaries and other compensation	43,899	25,537
Taxes, licenses and fees	6,753	7,509
Other underwriting expenses	<u>17,240</u>	<u>20,877</u>
	<u>823,614</u>	<u>1,345,045</u>
Net underwriting gain (loss)	<u>(3,285)</u>	<u>92,437</u>
Investment income:		
Interest on bonds	134,895	85,822
Dividends on stocks	<u>47,350</u>	<u>45,682</u>
	182,245	131,504
Investment expenses	<u>5,772</u>	<u>7,581</u>
	<u>176,473</u>	<u>123,923</u>
Profit from underwriting and investments	173,188	216,360
Other expense	-	<u>72</u>
Income before Federal income taxes and realized gains on investments	173,188	216,288
Federal income taxes	<u>5,913</u>	<u>52,089</u>
Net income before realized gains on investments	<u>167,275</u>	<u>164,199</u>
Realized gains on investments	178,694	264,796
Less Federal income taxes on gains	<u>49,140</u>	<u>66,199</u>
	<u>129,554</u>	<u>198,597</u>
Net income	<u>\$ 296,829</u>	<u>362,796</u>

See accompanying notes to financial statements.

NATIONAL FIRE & MARINE INSURANCE COMPANY

Statements of Paid-In and Unassigned Surplus

Year ended December 31, 1968
with comparative figures for 1967

<u>Paid-In Surplus</u>	<u>1968</u>	<u>1967</u>
Beginning and end of year	\$ 50,000	50,000
	<u> </u>	<u> </u>
 <u>Unassigned Surplus</u>		
Beginning of year	\$ 815,996	578,602
Net income	296,829	362,796
Increase (decrease) in net unrealized appreciation of investments	225,031	(65,941)
Decrease (increase) in excess of bodily injury liability and compensation statutory and voluntary reserves over case basis and loss expense reserves (Schedule "P" reserve)	<u>56,283</u>	<u>(59,461)</u>
End of year	\$ 1,394,139	815,996
	<u> </u>	<u> </u>

See accompanying notes to financial statements.

NATIONAL FIRE & MARINE INSURANCE COMPANY

Statement of Adjusted Income

Year ended December 31, 1968
with comparative figures for 1967

	<u>1968</u>	<u>1967</u>
Net income as shown in the accompanying statement of income - statutory basis	\$ <u>296,829</u>	<u>362,796</u>
Adjustments to net income:		
Net realized gain on investments (to segregate from adjusted net earnings)	(178,694)	(264,796)
Federal income taxes applicable to net realized gains	49,140	66,199
Increase in estimated equity in unearned premiums	103,521	84,147
Future income taxes applicable to increase in estimated equity in unearned premiums	<u>(54,659)</u>	<u>(42,074)</u>
	<u>(80,692)</u>	<u>(156,524)</u>
Net earnings, as adjusted (excluding investment gains)	\$ 216,137	206,272
	=====	=====
Investment gains:		
Net realized gains	\$ 178,694	264,796
Less applicable income taxes	<u>49,140</u>	<u>66,199</u>
	<u>129,554</u>	<u>198,597</u>
Increase (decrease) in net unrealized gains	222,889	(65,941)
Less allowance for future income taxes	<u>(61,162)</u>	<u>16,485</u>
	<u>161,727</u>	<u>(49,456)</u>
Net investment gain	\$ 291,281	149,141
	=====	=====

See accompanying notes to financial statements.

NATIONAL FIRE & MARINE INSURANCE COMPANY

Statement of Adjusted Stockholders' Equity

December 31, 1968
with comparative figures for 1967

	<u>1968</u>	<u>1967</u>
Capital shares and surplus as shown in the accompanying statement of assets and liabilities - statutory basis	\$ <u>1,944,139</u>	<u>1,365,996</u>
Adjustments to capital shares and surplus:		
Equity in unearned premium reserve, estimated at 30% of reserve	370,231	266,710
Statement value of bonds over market value	(3,577)	(1,435)
Excess bodily injury liability and compensation statutory reserves over case basis	<u>84,733</u>	<u>141,016</u>
	<u>451,387</u>	<u>406,291</u>
Adjusted equity before income taxes applicable to equity in unearned premiums and unrealized appreciation on investments	2,395,526	1,772,287
Less Federal income taxes applicable to estimated equity in unearned premiums and unrealized appreciation on investments	<u>261,041</u>	<u>145,220</u>
Adjusted stockholders' equity	<u>\$ 2,134,485</u>	<u>1,627,067</u>

See accompanying notes to financial statements.

NATIONAL FIRE & MARINE INSURANCE COMPANY

Notes to Financial Statements

December 31, 1968

(1) Basis of Presentation:

The accompanying financial statements have been prepared, except as to form, on the basis of the requirements for reporting in the annual statements filed with the Insurance Departments of the respective domiciliary states.

The financial statements have been prepared in conformity with insurance accounting principles prescribed or permitted under statutory authority which differ in some respects from generally accepted accounting principles followed by other business enterprises in determining financial position and results of operations. Pursuant to such practices (a) investment securities are carried in accordance with valuations established by the National Association of Insurance Commissioners, i.e. eligible bonds are carried at cost adjusted, where appropriate, for amortization of premium or discount, and other bonds and stocks are carried at market values with no provision for income taxes relative to unrealized appreciation in such investments; (b) premium income is taken into earnings on a pro rata basis over the periods covered by the policies, whereas related acquisition and commission costs are charged off when incurred; and (c) statutory loss reserves are required on certain lines of insurance in excess of losses computed on a case basis. The effects of such differences is shown in the accompanying supplemental statements of adjusted stockholders' equity and adjusted net income.

(2) Bonds and Stocks:

Bonds and stocks are carried in accordance with valuations established by the National Association of Insurance Commissioners (see note 1).

The market value as prescribed by the National Association of Insurance Commissioners of all bonds and the "admitted value" of bonds on deposit with regulatory authorities at December 31, 1968 was as follows:

Aggregate market value (statutory) of all bonds	\$ 2,988,676
Admitted value of bonds on deposit	<u>106,856</u>

The change in each period in the valuation between investments at book value and investments valued as set forth above is carried to surplus as unrealized gain or loss from investments. In accordance with rules of the Insurance Department, no provision is made for the income tax that would be payable if the securities were liquidated at the values indicated.



NATIONAL FIRE & MARINE INSURANCE COMPANY

Notes to Financial Statements, Continued

(3) Unearned Premiums:

Unearned premiums are computed on the monthly pro rata basis and include provisions for refunds under retrospectively rated policies and are stated after deduction on account of reinsurance placed with other insurers in the amount of \$308,977.

(4) Unpaid Losses and Loss Adjustment Expenses:

The reserve for unpaid losses and loss adjustment expenses is after deduction of amounts for reinsurance placed with other insurers in the amount of \$283,579.

(5) Federal Income Taxes:

Federal income tax returns have been examined through 1961 by the Internal Revenue Service and adjustments have been proposed. The company intends to file a protest and management believes that final determination will result in a refund due to the company.

END
DATE
FILMED
MAY
1969



DISCLOSURE

LEASCO SYSTEMS & RESEARCH CORPORATION

4833 RUGBY AVE. BETHESDA, MARYLAND