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DIVERSIFIED RETAILING CO INC

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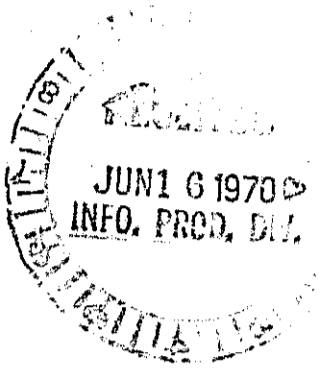
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FORM 10-K

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

RECD-S.E.C.

JUN - 9 1970

For the fiscal year ended January 31, 1970

Commission File Number 2-27473

DIVERSIFIED RETAILING COMPANY, INC.

State of Incorporation, Maryland

IRS Employer Identification No.
52-0846159

Baltimore, Maryland 21201

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

NONE

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

NONE

JUN 15 1970

A handwritten signature in black ink, appearing to be "R. J. ...".

Item 1. Number of Equity Security Holders

<u>Title of Class</u>	<u>As at May 1, 1970 Number of Record Holders</u>
Common Stock, par value \$0.0003 per share	320

Item 2. Increases and Decreases In Outstanding Equity Securities

During the last fiscal year of Diversified Retailing Company, Inc. (the "Company"), there was no change in its capital stock account. However, as at December 9, 1969 (the "effective date"), the Articles of Incorporation of the Company were amended⁽¹⁾, pursuant to which amendment the amount of authorized capital stock of the Company was increased from 1,000 shares of common stock, all of one class, of the par value of \$1.00 each, to 3,333,333-1/3 shares of common stock, all of one class, of the par value of \$0.0003 each. In addition, said amendment required the Company, following the effective date, to tender to each stockholder of record of its shares of common stock of the par value of \$1.00 each, 3,333-1/3 shares of its common stock of the par value of \$0.0003 each, in exchange for each such share of common stock of a par value of \$1.00 each then outstanding. As at the effective date, 300 shares of the Company's common stock of the par value of \$1.00 each were outstanding.

As at January 12, 1970, the Company tendered to and exchanged with each of its stockholders of record as at the effective date, 3,333-1/3 shares of its said common stock of the par value of \$0.0003 each, for each share of common stock of the par value of \$1.00 each then outstanding. Immediately subsequent to said exchange, 1,000,000 shares of the Company's common stock of the par value of \$0.0003 each were outstanding.⁽²⁾

Notes:

(1) See Exhibit A.

(2) As adjusted to maintain after the effective date, the identical proportionate interests of the stockholders of the Company in the issued and outstanding common stock of the Company as the same existed prior to the effective date.

Item 3. Parents and Subsidiaries of Registrant

As at May 1, 1970, Warren E. Buffett owned 32.98% of the common stock of the Company, and First Manhattan Co. and Wheeler, Munger & Co., of which Mr. David S. Gottesman and Mr. Charles T. Munger were respectively general partners, each owned 10% of the common stock of the Company.⁽¹⁾ First Manhattan Co. has advised the Company that it disclaims any status which would cause it to be deemed a parent of the Company.

The Company owns 100% of the outstanding voting securities of its wholly-owned subsidiary, Associated Retail Stores, Inc., an Illinois corporation. (2)

Associated Retail Stores, Inc. owns 100% of the outstanding voting securities of its two wholly-owned subsidiaries, Reinsurance Corp. of Nebraska, a Nebraska corporation, (3) and Fashion Outlet of Michigan, Inc., a Michigan corporation.

Associated Retail Stores, Inc. and Fashion Outlet of Michigan, Inc. are included in the consolidated financial statements of the Company under Item 10, Financial Statements and Exhibits. Reinsurance Corp. of Nebraska is not included in the consolidated financial statements of the Company under Item 10, Financial Statements and Exhibits because said corporation was a non-operating company, having neither tangible assets nor capital stock issued and outstanding as at the close of the last fiscal year of the Company.

Notes:

(1) See Item 6, Directors of Registrant.

(2) See Item 4, Changes in Business.

(3) See Item 4, Changes in Business.

Item 4. Changes in Business

The Articles of Incorporation of Associated Cotton Shops Inc., an Illinois corporation and the wholly-owned subsidiary of the Company, were amended as at September 25, 1969. (1) Pursuant to said amendment, the name of said subsidiary was changed to Associated Retail Stores, Inc. ("Associated").

As at December 1, 1969, the Company sold to Supermarkets General Corporation, 40,000 shares of common stock of Hochschild, Kohn & Co., Incorporated, the wholly-owned subsidiary of the Company, (the "Sale"); said shares of common stock comprised all issued and outstanding shares of any class or description of Hochschild, Kohn & Co., Incorporated as at the closing of the Sale on December 1, 1969. Information with respect to the Sale is incorporated by reference to Item 2 of Registrant's Form 8-K for December 1969. The proceeds from the Sale in the amount of \$7,085,205 (the "Proceeds") were transferred by the Company to Associated as at December 1, 1969. (2) Pursuant to the terms of said transfer, an indebtedness of the Company to Associated in the amount of \$334,473 (the "Indebtedness") was cancelled, and \$6,750,732, representing the difference between the Proceeds and the Indebtedness, was contributed by the Company to the paid-in capital of Associated. (3)

As at December 1, 1969, and prior to the closing of the Sale, Hochschild, Kohn & Co., Incorporated redeemed from the Company at an aggregate price of \$4,500,000, 20,000 shares of its convertible first preferred stock, class A (comprising all of the then issued and outstanding shares of such stock) and 6,750 shares of its common stock (leaving 40,000 shares of such stock issued and outstanding). The proceeds from said redemption in the aggregate amount of \$4,500,000 were transferred and contributed by the Company to the paid-in capital of Associated.

A portion of said contributions to the paid-in capital of Associated was invested by Associated in securities and corporate notes of various publicly-held companies. (4)

As at January 28, 1970, Reinsurance Corp. of Nebraska ("Reinsurance"), a Nebraska corporation, was organized for the purpose of transacting the business of insurance with the exceptions of life and title insurance. (5) The authorized capital stock of Reinsurance consists of 5,000 shares of non-assessable common stock of the par value of \$100 each. As at March 3, 1970, all of said 5,000 shares of common stock were issued by Reinsurance to Associated in consideration of the payment by Associated to Reinsurance of \$500,000 cash. As at March 3, 1970, Associated additionally transferred and contributed \$500,000 to the paid-in contributed surplus of Reinsurance. Under Nebraska law, no corporation may transact the business of insurance in said State prior to the issuance to such corporation of a Certificate of Authority by the State of Nebraska Department of Insurance. A Certificate of Authority to transact the business of insurance (with the exceptions of life and title insurance) was issued to Reinsurance as at May 4, 1970, for the period May 4, 1970 to April 13, 1971. (6)

Notes:

(1) See Exhibit B.

(2) The Proceeds transferred by the Company to Associated were comprised of \$545,205 cash; a \$2,000,000 bearer promissory note made by Supermarkets General Corporation and payable on February 1, 1970, or before said date, at the election of the maker, without interest; and a \$4,540,000 bearer promissory note made by Supermarkets General Corporation and payable on February 1, 1971, or before said date, at the election of the maker, without interest.

(3) The Indebtedness was incurred by the Company as a result of loans made by Associated to the Company on September 29, 1969 and October 27, 1969, aggregating \$330,000, to be repaid by the Company on or before December 1, 1969 with interest at 8-1/2%.

(4) See Item 9, Interest of Management and Others in Certain Transactions.

(5) See Exhibits C-1 and C-2.

(6) See Exhibit D.

Item 5. Principal Holders of Voting Securities

<u>Name and Address</u>	<u>Title of Class</u>	<u>Type of Ownership</u>	<u>Number of Shares (1)</u>	<u>Percent of Class</u>
Warren E. Buffett 5505 Farnan Street Omaha, Nebraska	Common	Record	329,899 (2)	32.98%
First Manhattan Co. 30 Wall Street New York, New York	Common	Record	100,000 (3)	10%
Wheeler, Munger & Co. 618 South Spring Street Los Angeles, California	Common	Record	100,000	10%

Notes:

(1) As at May 1, 1970.

(2) Does not include 27,419 shares of common stock held by a member of Mr. Buffett's family; 3,732 shares of common stock held by a trust under the will of Howard H. Buffett, deceased, of which Mr. Buffett is trustee; 552 shares of common stock held in equal amounts by three trusts, each for the benefit of a member of Mr. Buffett's family, of which he is a co-trustee; 1,554 shares of common stock held in three equal amounts by Mrs. Doris B. Lear, a sister of Mr. Buffett, as Custodian under the Nebraska Uniform Guardian for Minor's Act, each for the benefit of a member of Mr. Buffett's family; nor 429 shares of common stock held in equal amounts by three trusts, of which Mr. Buffett is a co-trustee, and in which beneficial ownership is disclaimed by him.

(3) See Note (4) to Item 6, Directors of Registrant.

Item 6. Directors of Registrant

<u>Name</u>	<u>Office</u>	<u>As at May 1, 1970 Shares of Equity Securities Beneficially Owned</u>
Warren E. Buffett(1)	Chairman of Board of Directors	329,899(2)
David S. Gottesman(3)	Vice-President	5,053(4)
Charles F. Heider	Director	1,567
Nelson Loud	Director	None
Charles T. Munger(3)	Vice-President	(5)
Robert M. Goldman	President	None

Messrs. Buffett, Gottesman and Munger have been associated with Diversified since its organization. Mr. Buffett's principal occupation consists of making personal investments. As at May 1, 1970, Mr. Buffett was Chairman of the Board of Directors of Berkshire Hathaway Company, a corporation engaged principally, and through its subsidiaries, in the business of textile manufacturing, fire and casualty insurance and banking. Mr. Gottesman is a general partner of First Manhattan Co., a broker-dealer firm and a member of the New York Stock Exchange. Mr. Munger is a general partner of Wheeler, Munger & Co., a broker-dealer firm and a member of the Pacific Coast Stock Exchange.

Mr. Charles F. Heider is Executive Vice President of First Mid America Inc., a broker-dealer firm and a member of the New York Stock Exchange. Mr. Nelson Loud is a founder and a senior partner of New York Securities Company, a broker-dealer firm and a member of the New York Stock Exchange. Mr. Robert M. Goldman is and has been a partner of the Maryland law firm of Frank, Bernstein, Conaway & Goldman since July 1, 1966, on which date the Maryland law firm of Nyburg, Goldman and Walter, of which Mr. Goldman had been a partner for more than fifteen years, merged into the firm of which he is presently a partner.

Directors of the Company are elected annually on the first Tuesday in February.

Notes:

- (1) See Item 3, Parents and Subsidiaries of Registrant and Item 5, Principal Holders of Voting Securities.
- (2) See Note (2) to Item 5, Principal Holders of Voting Securities.
- (3) See Item 3, Parents and Subsidiaries of Registrant.
- (4) As at May 1, 1970, First Manhattan Co. owned of record only 19,177-2/3 shares and of record and beneficially 80,822-1/3 shares of the common stock of the Company. Mr. Gottesman, as a general partner of First Manhattan Co., additionally possessed an interest in said 80,822-1/3 shares.
- (5) As at May 1, 1970, Wheeler, Munger & Co. owned of record and beneficially 100,000 shares of the common stock of the Company. Mr.

Charles T. Munger, as a general partner of Wheeler, Munger & Co., possessed interest in said 100,000 shares.

Item 7. Remuneration of Directors and Officers

<u>Name</u>	<u>Capacities in Which Remuneration Was Received</u>	<u>Aggregate Direct Remuneration</u>	<u>Estimated Annual Benefits Upon Retirement(1)</u>
Louis B. Kohn, II(2)	President of Hochschild, Kohn & Co., Incorporated(4)	\$49,768	\$28,790(3)
All officers and directors, as a group		49,768	28,790

Notes:

- (1) Paid or payable by Hochschild, Kohn & Co., Incorporated.
- (2) Mr. Louis B. Kohn, II resigned as President and Director of the Company as at December 24, 1969.
- (3) Estimated annual retirement benefits under the Retirement Pension Plan (the "Plan") of Hochschild, Kohn & Co., Incorporated. Payments under the Plan are computed on an actuarial basis providing for fixed benefits upon retirement for employees who meet certain age and service requirements.
- (4) See Item 4, Changes in Business. Following the Sale, Mr. Kohn remained with Hochschild, Kohn & Co., Incorporated in his capacity as President thereof.

Item 8. Options to Purchase Securities

None.

Item 9. Interest of Management and Others in Certain Transactions

During the Company's last fiscal year, Associated made, in addition to other purchases, numerous purchases of securities of two publicly-held companies whose said securities were respectively traded on the New York and American Stock Exchanges. Each of said purchases by Associated was made at the then prevailing listed market price, and a substantial portion of said purchases was made through First Manhattan Co., of which Mr. David S. Gottesman was a general partner, acting as broker for Associated. Commissions charged by First Manhattan Co., in connection with said purchases were not in excess of the then prevailing New York and American Stock Exchange rates.

As at December 19, 1969, Associated purchased 114,000 shares of common stock of Blue Chip Stamps, a company whose said securities were traded over the counter. Said purchase was comprised of two blocks of stock, one in the amount of 24,000 shares and the other in the amount of 90,000 shares. The 24,000 share block was purchased by Associated for \$396,000 (\$16.50 per share) through

First Manhattan Co., acting as broker; First Manhattan Co. received no commission in connection with said transaction. The 90,000 share block was sold by Wheeler, Munger & Co., of which Mr. Charles T. Munger was a general partner, and purchased by Associated, on an "investment letter" basis, for \$1,377,000 (\$15.30 per share) through First Manhattan Co., of which Mr. Gottesman was a general partner, acting as broker; First Manhattan Co. received no commission in connection with said transaction. The cost of said 90,000 share block to Wheeler, Munger & Co. was \$720,000.

During the Company's last fiscal year, Associated leased from Anbec, Inc., an Illinois corporation, the building located at 11109-11111 South Michigan Avenue, Chicago, Illinois, for the aggregate rental of \$7,932. Buffett Partnership, Ltd., of which Mr. Warren E. Buffett was the sole general partner, owned 80% of the issued and outstanding capital stock of Anbec, Inc., and Wheeler, Munger & Co., of which Mr. Charles T. Munger was a general partner, and First Manhattan Co., of which Mr. David S. Gottesman was a general partner, each owned 10% of the issued and outstanding common stock of Anbec, Inc.

During the Company's last fiscal year, the law firm of Frank, Bernstein, Conaway & Goldman, of which Mr. Robert M. Goldman was a general partner, received remuneration from the Company in the amount of \$27,260 for services rendered to the Company in connection with the Sale⁽¹⁾ and as General Counsel thereto. In addition, and during the Company's last fiscal year, the said law firm received remuneration from Hochschild, Kohn & Co., Incorporated in the amount of \$27,410 for services rendered by said law firm to Hochschild, Kohn & Co., Incorporated as General Counsel thereto.

Notes:

(1) See Item 4, Changes in Business.

Item 10. Financial Statements and Exhibits

(a) Financial statements filed as part of this report:
Consolidated Balance Sheet as of January 31, 1970,
and Statement of Consolidated Earnings and
Consolidated Earnings Retained in the Business
for the year ended January 31, 1970, and Notes
to Consolidated Financial Statements.

Balance Sheet as of January 31, 1970, and
Statement of Earnings and Earnings Retained
in the Business for the year ended January 31,
1970, and Notes to Financial Statements.

Accountants' Reports

Schedules:

- I - Short Term Commercial Paper, Marketable Securities and Other Security Investments
- III - Investments in Securities of Affiliates
- IV - Indebtedness of Affiliates
- V - Property, Plant and Equipment
- VI - Reserves for Depreciation, Depletion and Amortization of Property, Plant and Equipment.

The information required by Schedule XVI -- Supplementary Profit and Loss Information appears in the Notes to Consolidated Financial Statements, and by Schedule XVII -- Income from Dividends - Equity in Net Profit and Loss of Affiliates appears in Schedule III.

Schedules other than those listed have been omitted because they are not required or are not applicable.

(b) Exhibits

- Exhibit A: Articles of Amendment of Diversified Retailing Company, Inc.
- Exhibit B: Articles of Amendment to the Articles of Incorporation of Associated Cotton Shops Inc.
- Exhibit C-1: Articles of Incorporation of Reinsurance Corp. of Nebraska
- Exhibit C-2: By-Laws of Reinsurance Corp. of Nebraska
- Exhibit D: Certificate of Authority of Reinsurance Corp. of Nebraska

The annual report of the Company of its 1969 fiscal year will be mailed to the stockholders thereof in the near future.

SIGNATURE

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

DIVERSIFIED RETAILING COMPANY, INC.

By: /s/ Robert M. Goldman
Robert M. Goldman, President

Date: June 1, 1970

Financial Statements and Schedules

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

BALTIMORE, MARYLAND

Filed with the Securities and Exchange Commission

as a part of the Annual Report on Form 10-K

For the fiscal year ended January 31, 1970

Commission File Number 2-27473

ERNST & ERNST

ONE NORTH CHARLES
BALTIMORE, MARYLAND
21201

Board of Directors
Diversified Retailing Company, Inc.
Baltimore, Maryland

We have examined the balance sheets of Diversified Retailing Company, Inc. and of Diversified Retailing Company, Inc. and subsidiary as of January 31, 1970, and the related statements of earnings and earnings retained in the business for the fiscal year 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 the consolidated subsidiary (Associated Retail Stores, Inc.), representing approximately 74% of the consolidated net assets and approximately 84% of the earnings before extraordinary item, which statements were examined by other independent accountants whose report thereon has been furnished to us.

In our opinion, based upon our examination and the aforementioned report of other independent accountants, the accompanying balance sheet and statements of earnings and earnings retained in the business of Diversified Retailing Company, Inc. and the balance sheet and statements of earnings and earnings retained in the business of Diversified Retailing Company, Inc. and subsidiary present fairly the financial position of Diversified Retailing Company, Inc. and the consolidated financial position of the Company and subsidiary at January 31, 1970, and the respective 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. Further, it is our opinion that the notes and schedules submitted herewith, in compliance with applicable accounting regulations of the Securities and Exchange Commission, present fairly the information required to be stated therein.

Ernst & Ernst
ERNST & ERNST

Baltimore, Maryland
May 15, 1970

EISNER & LUBIN
CERTIFIED PUBLIC ACCOUNTANTS

380 PARK AVENUE
NEW YORK, N.Y. 10017
6380 WILSHIRE BLVD.
LOS ANGELES, CAL. 90048

To the Board of Directors
Associated Retail Stores, Inc.

We have examined the consolidated balance sheet of ASSOCIATED RETAIL STORES, INC. (formerly Associated Cotton Shops, Inc.) and Subsidiary as at January 31, 1970 and the related consolidated statement of operations and retained earnings for the fiscal year (fifty-two weeks) then ended. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above, which do not appear separately in the Form 10-K of Diversified Retailing Company, Inc., present fairly the consolidated financial position of Associated Retail Stores, Inc. and Subsidiary at January 31, 1970 and the consolidated operating results for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the related Schedules I, V, VI and XVI of Associated Retail Stores, Inc. and Subsidiary as at January 31, 1970 and for the fiscal year then ended. In our opinion, such schedules, which do not appear separately in the Form 10-K, present fairly the information required to be set forth therein.

Eisner & Lubin
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
April 24, 1970

CONSOLIDATED BALANCE SHEET
 DIVERSIFIED RETAILING COMPANY, INC.
 AND SUBSIDIARY

	<u>January 31,</u> 1970	<u>February 1,</u> 1969
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,683,606	\$ 2,255,051
Short-term commercial paper	1,493,059	-0-
Note receivable - Note A	2,000,000	-0-
Marketable securities - at cost (market value: \$1,818,000) - Note K	1,849,204	-0-
Accounts receivable	224,573	11,169,789
Merchandise inventories - Note B	3,957,864	10,052,308
Prepaid expenses	74,453	646,768
TOTAL CURRENT ASSETS	<u>12,282,759</u>	<u>24,123,916</u>
INVESTMENTS AND OTHER ASSETS		
Note receivable - Note A	4,540,000	-0-
Other security investments - Notes C and K	1,773,000	-0-
Other assets	843,122	1,150,952
	<u>7,156,122</u>	<u>1,150,952</u>
PROPERTY, PLANT AND EQUIPMENT - on the basis of cost - Notes D and E		
Land	850,157	3,577,467
Buildings	1,017,471	5,194,358
Fixtures and equipment	675,523	4,865,254
Leasehold improvements	345,057	1,483,873
Allowances for depreciation and amortization	(1,056,237)	(6,281,570)
	<u>1,831,971</u>	<u>8,839,382</u>
	<u>\$21,270,852</u>	<u>\$34,114,250</u>
LIABILITIES		
CURRENT LIABILITIES		
Note payable to bank	\$ -0-	\$ 400,000
Trade and sundry accounts payable	806,961	4,298,351
Salaries, wages and bonuses	166,064	425,809
Taxes on income	767,565	1,367,137
Current portion of long-term debt	61,122	246,322
TOTAL CURRENT LIABILITIES	<u>1,801,712</u>	<u>6,737,619</u>
LONG-TERM DEBT - less current maturities - Note E	6,763,659	11,637,188
RESERVE - for restoration of leased property	-0-	274,006
DEFERRED INCOME TAXES	-0-	219,600
DEFERRED CREDIT - Unamortized excess of carrying amount of net assets of subsidiary (subsidiaries) over acquisition cost - Note A	950,704	3,593,731
STOCKHOLDERS' EQUITY - Note I		
Common Stock - voting, par value: 1970 - \$.0003; 1969 - \$1.00:		
Authorized: 1970 - 3,333,333-1/3 shares; 1969 - 1,000 shares		
Issued and outstanding: 1970 - 1,000,000 shares; 1969 - 300 shares	300	300
Additional paid-in capital	5,999,700	5,999,700
Earnings retained in the business - Note E	5,754,777	5,652,106
	<u>11,754,777</u>	<u>11,652,106</u>
COMMITMENTS AND CONTINGENT LIABILITIES - Notes F, G and H		
	<u>\$21,270,852</u>	<u>\$34,114,250</u>

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED EARNINGS RETAINED IN THE BUSINESS

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

	<u>Fiscal year ended</u>	
	<u>January 31,</u> <u>1970</u>	<u>February 1,</u> <u>1969</u>
Balance at beginning of year	\$5,652,106	\$3,654,336
Net earnings for the year	<u>102,671</u>	<u>1,997,770</u>
BALANCE AT END OF YEAR - Note E	<u>\$5,754,777</u>	<u>\$5,652,106</u>

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED EARNINGS

DIVERSIFIED RETAILING COMPANY, INC.
AND SUBSIDIARY

	<u>Fiscal year ended</u>	
	<u>January 31,</u> <u>1970</u> <u>(52 weeks)</u>	<u>February 1,</u> <u>1969*</u> <u>(52 weeks)</u>
Net sales (including leased department sales)	\$39,113,228	\$37,508,258
Cost of goods sold	<u>26,442,730</u>	<u>25,572,644</u>
	12,670,498	11,935,614
Selling, general and administrative expenses	<u>10,228,832</u>	<u>9,803,683</u>
	2,441,666	2,131,931
Other income and (deductions):		
Amortization of excess of net assets of subsidiaries over acquisition cost	430,165	489,972
Rental income - net	-0-	38,966
Interest and financing cost	(565,090)	(609,159)
Interest income	148,984	29,114
Miscellaneous	<u>163,125</u>	<u>96,829</u>
EARNINGS OF CONTINUING OPERATIONS BEFORE TAXES ON INCOME AND EXTRAORDINARY ITEM	<u>2,618,850</u>	<u>2,177,653</u>
Taxes on income applicable to continuing operations -		
Notes B, D and I:		
Federal	994,700	753,000
State and local	<u>306,500</u>	<u>181,000</u>
	<u>1,301,200</u>	<u>934,000</u>
EARNINGS OF CONTINUING OPERATIONS BEFORE EXTRAORDINARY ITEM	1,317,650	1,243,653
Earnings from discontinued operations, less applicable taxes (1970 - \$110,000; 1969 - \$547,100) - Note A	<u>104,000</u>	<u>754,117</u>
EARNINGS BEFORE EXTRAORDINARY ITEM	<u>1,421,650</u>	<u>1,997,770</u>
Extraordinary item - loss on sale of subsidiary including \$83,000 of income taxes on taxable gain - Note A	<u>1,318,979</u>	<u>-0-</u>
NET EARNINGS	<u>\$ 102,671</u>	<u>\$ 1,997,770</u>

* Amounts have been recast to conform to 1970 presentation.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

January 31, 1970

Note A - Principles of Consolidation

As at December 1, 1969 the Company sold 40,000 shares of the common stock, comprising all of the then issued and outstanding securities, of Hochschild, Kohn & Co., Incorporated, one of its two wholly-owned subsidiaries, for \$7,085,205. As at December 1, 1969, but prior to said sale, Hochschild, Kohn & Co., Incorporated redeemed from the Company, 6,750 shares of its common stock and 20,000 shares of its convertible first preferred stock for the aggregate amount of \$4,500,000. Capital contributions from the proceeds from said sale and said redemption comprising cash of \$4,710,732 and non-interest bearing notes of a third party in the respective amounts of \$2,000,000, collected February 1, 1970, and \$4,540,000 due on February 1, 1971, were made by the Company to Associated Retail Stores, Inc. The operations of Hochschild, Kohn & Co., Incorporated for the ten months ended December 1, 1969 are included as earnings from discontinued operations in the statement of earnings.

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, Associated Retail Stores, Inc. (formerly Associated Cotton Shops, Inc.). Intercompany accounts and transactions have been eliminated in consolidation.

At the date of acquisition of Associated by the Company, the carrying amount of the net assets of said subsidiary was in excess of the investment of Diversified in the amount of \$1,311,309; this excess is being amortized over a ten-year period and is shown in the balance sheet net of accumulated amortization.

Note B - Merchandise Inventories

Inventories, as determined generally according to the retail inventory method, were priced at the lower of cost (first-in, first-out) or market.

Inventories used in the computation of cost of goods sold were as follows:

February 3, 1968	\$3,609,213
February 1, 1969	3,548,815
January 31, 1970	3,957,864

Note C - Other Security Investments

In December 1969, Associated purchased stock of a publicly-owned corporation for \$1,773,000; the marketability of the stock is restricted. In management's opinion, the value of this investment, based on prices in the over-the-counter market at January 31, 1970, was not materially less than cost; subsequent thereto the market value declined. See Note K.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

January 31, 1970

Note D - Property, Plant and Equipment

Depreciation is computed on the straight-line method except for buildings where the 150% declining-balance method is used. Depreciation and amortization of property, plant and equipment charged to earnings of continuing operations for 1970 and 1969 was \$165,270 and \$172,063, respectively.

Note E - Long-term Debt

	<u>January 31,</u> <u>1970</u>
8% Debentures	\$6,600,000
4% Mortgage payable	<u>224,781</u>
	6,824,781
Less current portion	<u>61,122</u>
	<u>\$6,763,659</u>

The 8% Debentures issued by the Company pursuant to a Trust Indenture dated as of November 1, 1967 (the "Debentures") are due on November 1, 1985. The aggregate principal amount of the Debentures is unlimited. The Debentures bear interest at a fixed annual rate of 8% payable semi-annually until maturity, and bear participating additional interest each year up to a maximum of 1% contingent upon the amount of adjusted consolidated earnings before income taxes for the previous fiscal year of the Company.

The Debentures are subject to redemption at the option of the Company at 107% of the principal amount of each such Debenture to October 31, 1970 and at reduced percentages of the principal amount of each such Debenture thereafter. The Debentures are also subject to redemption at par plus accrued fixed and participating additional interest through operation of a contingent sinking fund. Sinking fund payments on anniversary dates are contingent upon the amount of adjusted consolidated net worth at preceding fiscal year end. No payment will be required at October 28, 1970.

The Debentures are further subject to redemption at the option of each Debenture holder, exercisable within sixty days following notice that, other than by reason of the death of Warren E. Buffett, said Warren E. Buffett or an organization controlled by him, shall cease to own in combined holdings, a larger block of shares with voting rights of the Company than any other stockholder, or combination of stockholders, controlled by a single individual.

The Articles of Incorporation of the Company, as amended, provide that the holders of the Debentures, upon the happening of certain events, shall be entitled to vote upon certain matters to the exclusion of all holders of the common stock of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

January 31, 1970

Note E - The Trust Indenture covering the Debentures contains certain restrictions (cont'd) applicable to the Company relating to net worth, redemption of stock and payment of dividends. At January 31, 1970 earnings retained in the business were not subject to such restrictions.

Under the 4% mortgage, land and building of the subsidiary, Associated, have been collateralized. Payments are due in monthly installments of \$5,750 including interest to January 1972.

Note F - Leases

Associated has entered into leases covering its 69 stores and its offices, with expiration dates through 1986, which provide for basic annual rentals of approximately \$1,572,000. Certain of these leases provide for additional rent based on sales volume and for payment of real estate taxes and other expenses.

Note G - Pension Plan

Associated has a non-contributory pension plan covering substantially all of its employees. The total pension expense for the year was \$61,000, which includes amortization of past-service liability of \$256,000 over a thirty-year period. Associated's policy is to fund pension cost accrued. Participants do not have a vested interest in the plan.

Note H - Litigation

Associated is a defendant in a suit claiming punitive damages of \$1,000,000 and damages for personal injury in the amount of \$10,000. The insurance carrier is defending this action but has notified the Company that it (the insurance carrier) has no liability for punitive damages. In the opinion of the counsel for Associated in connection with said litigation, recovery by the plaintiff of punitive damages is remote.

Note I - Capital Changes

There were no changes in the capital stock and additional paid-in capital accounts during the years ended January 31, 1970 and February 1, 1969.

Note J - Post Balance Sheet Events

As at March 3, 1970, Associated purchased all of the authorized capital stock (consisting of 5,000 shares of common stock of the par value of \$100.00 each) of Reinsurance Corp. of Nebraska, a newly-organized and wholly-owned subsidiary of Associated, for \$500,000 cash. As at March 3, 1970, Associated additionally transferred and contributed \$500,000 to the paid-in contributed surplus of Reinsurance.

Note K - Interest of Management and Others in Certain Transactions

As disclosed in Item 9, Interest of Management and Others in Certain Transactions, certain stock included in marketable securities and other security investments was purchased either from or through related parties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

January 31, 1970

Note L - Supplemental Note - Depreciation Policy

Provision for depreciation is made by charges to earnings at rates based upon the estimated useful life of each class of property. Improvements to leased properties are amortized over the terms of the leases or the estimated useful lives of the assets, whichever is shorter. Generally, the estimated useful lives range from 14 to 33 years for buildings, 4 to 10 years for fixtures and equipment and the life of the lease for leasehold improvements.

Expenditures for maintenance and repairs are charged directly to earnings, those for betterment and major renewals are capitalized. The cost of assets retired or otherwise disposed of and the related allowances for depreciation have been eliminated from the accounts. Gains or losses on disposals have been credited or charged to earnings.

Note M - Supplementary Profit and Loss Information*

The following expenses have been charged directly to operations:

	<u>To Selling, General and Administrative Expenses</u>	<u>To Rental Income</u>	<u>Total</u>
Maintenance and repairs	\$ 420,674	\$14,044	\$ 434,718
Depreciation and amortization	154,047	11,223	165,270
Taxes other than income taxes	470,902	163	471,065
Rents	<u>1,848,230</u>	<u>45,601</u>	<u>1,893,831</u>
	<u>\$2,893,853</u>	<u>\$71,031</u>	<u>\$2,964,884</u>

Taxes other than income taxes are further analyzed as follows:

Payroll taxes	\$ 327,902
Real estate taxes	39,069
State and local	<u>104,094</u>
	<u>\$ 471,065</u>

* Expenses related to discontinued operations are not included as part of the Supplementary Profit and Loss Information.

BALANCE SHEET

DIVERSIFIED RETAILING COMPANY, INC.

ASSETS

	<u>January 31, 1970</u>	<u>February 1, 1969</u>
Cash	\$ 4,073	\$ 95,347
Recoverable federal income taxes resulting from overpayment of estimated tax	58,157	123,454
Due from subsidiary	-0-	198,000
Equity in net assets of subsidiaries - Note A	18,930,811	21,481,998
Unamortized cost of long-term financing	<u>444,440</u>	<u>473,125</u>
	<u>\$19,437,481</u>	<u>\$22,371,924</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 132,000	\$ 346,000
Due to subsidiary	-0-	180,087
8% Debentures - Note B	6,600,000	6,600,000
Unamortized excess of carrying amount of net assets of subsidiaries over acquisition cost - Note A	950,704	3,593,731
Stockholders' equity - Note D:		
Common Stock - voting, par value: 1970 - \$.0003; 1969 - \$1.00		
Authorized: 1970 - 3,333,333-1/3 shares; 1969 - 1,000 shares		
Issued and outstanding: 1970 - 1,000,000 shares; 1969 - 300 shares	300	300
Additional paid-in capital	5,999,700	5,999,700
Earnings retained in the business, of which \$2,275,206 and \$2,814,388 represents equity in undistributed earnings of subsidiaries - Note B	<u>5,754,777</u>	<u>5,652,106</u>
	<u>11,754,777</u>	<u>11,652,106</u>
	<u>\$19,437,481</u>	<u>\$22,371,924</u>

See notes to financial statements.

STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

DIVERSIFIED RETAILING COMPANY, INC

	<u>Fiscal year ended</u>	
	<u>January 31,</u> <u>1970</u>	<u>February 1,</u> <u>1969</u>
Balance at beginning of year	\$5,652,106	\$3,654,336
Net earnings of the Company and subsidiaries on a consolidated basis for the year	<u>102,671</u>	<u>1,997,770</u>
BALANCE AT END OF YEAR - Note B	<u>\$5,754,777</u>	<u>\$5,652,106</u>

See notes to financial statements.

STATEMENT OF EARNINGS

DIVERSIFIED RETAILING COMPANY, INC.

	<u>Fiscal year ended</u>	
	<u>January 31,</u> <u>1970</u> <u>(52 weeks)</u>	<u>February 1,</u> <u>1969</u> <u>(52 weeks)</u>
Income:		
Dividends	\$ 95,000	\$ 120,000
Amortization of excess of net assets of subsidiaries over acquisition cost	<u>430,165</u>	<u>489,972</u>
	<u>525,165</u>	<u>609,972</u>
Expenses:		
General and administrative expenses	9,766	17,871
Interest and financing costs	<u>552,675</u>	<u>575,646</u>
	<u>562,441</u>	<u>593,517</u>
(LOSS) EARNINGS BEFORE TAXES ON INCOME AND EXTRAORDINARY ITEM	(37,276)	16,455
Income-tax credit - Note C	<u>(261,800)</u>	<u>(330,000)</u>
EARNINGS BEFORE EXTRAORDINARY ITEM	224,524	346,455
Extraordinary item - loss on sale of subsidiary, including \$83,000 of income taxes on taxable gain - Note A	<u>1,318,979</u>	<u>-0-</u>
(LOSS) EARNINGS OF THE COMPANY	(1,094,455)	346,455
Equity of Company in undistributed net earnings of subsidiaries (dividends received from the subsidiaries are included above)	<u>1,197,126</u>	<u>1,651,315</u>
NET EARNINGS OF THE COMPANY AND SUBSIDIARIES ON A CONSOLIDATED BASIS	<u>\$ 102,671</u>	<u>\$1,997,770</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DIVERSIFIED RETAILING COMPANY, INC.

January 31, 1970

Note A - As at December 1, 1969 the Company sold 40,000 shares of the common stock, comprising all of the then issued and outstanding securities, of Hochschild, Kohn & Co., Incorporated, one of its two wholly-owned subsidiaries, for \$7,085,205. As at December 1, 1969, but prior to said sale, Hochschild, Kohn & Co., Incorporated redeemed from the Company, 6,750 shares of its common stock and 20,000 shares of its convertible first preferred stock for the aggregate amount of \$4,500,000. Capital contributions from the proceeds from said sale and said redemption comprising cash of \$4,710,732 and non-interest bearing notes of a third party in the respective amounts of \$2,000,000, collected February 1, 1970, and \$4,540,000 due on February 1, 1971, were made by the Company to Associated Retail Stores, Inc. The loss on the sale of Hochschild, Kohn & Co., Incorporated is included as an extraordinary item in the statement of earnings.

The investment in the Company's wholly-owned subsidiary, Associated Retail Stores, Inc., is being carried on the basis of the equity in its net assets. At the date of acquisition of said subsidiary, the carrying amount of the net assets of the subsidiary was in excess of the investment of Diversified in the amount of \$1,311,309; this excess is being amortized over a ten-year period and is shown in the balance sheet net of accumulated amortization.

Note B - The 8% Debentures issued by the Company pursuant to a Trust Indenture dated as of November 1, 1967 (the "Debentures") are due on November 1, 1985. The aggregate principal amount of the Debentures is unlimited. The Debentures bear interest at a fixed annual rate of 8% payable semi-annually until maturity, and bear participating additional interest each year up to a maximum of 1% contingent upon the amount of adjusted consolidated earnings before income taxes for the previous fiscal year of the Company.

The Debentures are subject to redemption at the option of the Company at 107% of the principal amount of each such Debenture to October 31, 1970 and at reduced percentages of the principal amount of each such Debenture thereafter. The Debentures are also subject to redemption at par plus accrued fixed and participating additional interest through operation of a contingent sinking fund. Sinking fund payments on anniversary dates are contingent upon the amount of adjusted consolidated net worth at preceding fiscal year end. No payment will be required at October 28, 1970. The Debentures are further subject to redemption at the option of each Debenture holder, exercisable within sixty days following notice that, other than by reason of the death of Warren E. Buffett, said Warren E. Buffett or an organization controlled by him, shall cease to own in combined holdings, a larger block of shares with voting rights of the Company than any other stockholder, or combination of stockholders, controlled by a single individual.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DIVERSIFIED RETAILING COMPANY, INC.

January 31, 1970

Note B - The Articles of Incorporation of the Company, as amended, provide that the (cont'd) holders of the Debentures, upon the happening of certain events, shall be entitled to vote upon certain matters to the exclusion of all holders of the common stock of the Company.

The Trust Indenture covering the Debentures contains certain restrictions relating to net worth, redemption of stock and payment of dividends. At January 31, 1970, earnings retained in the business were not subject to such restrictions.

Note C - The policy of filing a consolidated tax return has resulted in a tax credit to the parent company.

Note D - There were no changes in the capital stock and additional paid-in capital accounts during the years ended January 31, 1970 and February 1, 1969.

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SCHEDULE I - SHORT TERM COMMERCIAL PAPER, MARKETABLE SECURITIES
AND OTHER SECURITY INVESTMENTS
DIVERSIFIED RETAILING COMPANY, INC.
AND SUBSIDIARY
January 31, 1970

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>
Name of Issuer and Title of Issue	Number of Shares or Principal Amount of Notes	Amount at Which Carried in Balance Sheet (at cost)	Value Based on Market Quotations at January 31, 1970
Short Term Commercial Paper:			
Dow Chemical Company - corporate notes	\$1,500,000	<u>\$1,493,059</u>	<u>\$1,493,059</u>
Marketable Securities:			
California Water Service Co. - common stock	8,943 shares	\$ 224,509	\$ 230,282
Munsingwear, Inc. - common stock	23,900 shares	468,991	475,013
New Yorker Magazine, Inc. - common stock	6,797 shares	486,503	455,399
Thriftmart, Inc. - Class A - common stock	38,700 shares	<u>669,201</u>	<u>657,900</u>
		<u>\$1,849,204</u>	<u>\$1,818,594</u>
Other Security Investments:			
Blue Chip Stamps - common stock (Notes C & K)	114,000 shares	<u>\$1,773,000</u>	<u>\$1,653,000</u>

The notes to the consolidated financial statements are made a part hereof.

SCHEDULE III - INVESTMENTS IN SECURITIES OF AFFILIATES

DIVERSIFIED RETAILING COMPANY, INC.

Year ended January 31, 1970

COL. A Name of Issuer and Title of Issue	COL. B Balance at Beginning of Period		COL. C Additions		COL. D Deductions		COL. E Balance at Close of Period	
	(1) Number of Shares or Units Principal Amount of Bonds and Notes	(2) Amount in Dollars	(1) Number of Shares or Units Principal Amount of Bonds and Notes	(2) Amount in Dollars	(1) Number of Shares or Units Principal Amount of Bonds and Notes	(2) Amount in Dollars	(1) Number of Shares or Units Principal Amount of Bonds and Notes	(2) Amount in Dollars
HOCHSCHILD, KOHN & CO. INCORPORATED: Convertible First Preferred Stock	20,000)							
Common Stock	46,750)	\$14,955,045		\$ 44,000 (1)		\$14,999,045		\$ -0-
ASSOCIATED RETAIL STORES, INC. Common Stock	453,000)	<u>6,526,953</u>		11,250,732 (2)				<u>18,930,811</u>
		\$21,481,998		<u>1,153,126 (1)</u>				<u>18,930,811</u>
				\$12,447,858		\$14,999,045		

(1) Equity of the Company in undistributed net earnings of subsidiary.

(2) Additional paid-in capital contribution made to subsidiary by the Company from the proceeds of the sale of Hochschild, Kohn & Co., Incorporated

All subsidiaries have been included in the consolidated financial statements. The notes to the consolidated financial statements are made a part hereof.

SCHEDULE IV - INDEBTEDNESS OF AFFILIATES

DIVERSIFIED RETAILING COMPANY, INC.

Year ended January 31, 1970

COL. A	COL. B	COL. C
<u>Name of Affiliate</u>	<u>Balance Receivable at Beginning of Period</u>	<u>Balance Receivable at Close of Period</u>
ASSOCIATED RETAIL STORES, INC.	\$198,000	\$-0-

SCHEDULE V - PROPERTY, PLANT & EQUIPMENT

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

Year ended January 31, 1970

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
<u>Classification</u>	<u>Balance at beginning of Period</u>	<u>Additions at Cost (1)</u>	<u>Retirements or Sales (1)</u>	<u>Other Charges - Debit and/or Credit* - Describe (2)</u>	<u>Balance at Close of Period</u>
Land	\$ 1,964,122			\$ 1,113,965*	\$ 850,157
Buildings	4,803,670	\$ 49,868		3,836,067*	1,017,471
Fixtures and equipment	4,683,953	113,429	\$ 70,635	4,051,224*	675,523
Improvements to leased property	1,261,524	52,848	730	968,585*	345,057
	<u>12,713,269</u>	<u>216,145</u>	<u>71,365</u>	<u>9,969,841*</u>	<u>2,888,208</u>
Rental property -					
Land	1,613,345			1,613,345*	-0-
Buildings	390,688			390,688*	-0-
Fixtures and improvements	403,650		327,976	75,674*	-0-
	<u>\$15,120,952</u>	<u>\$216,145</u>	<u>\$399,341</u>	<u>\$12,049,548*</u>	<u>\$2,888,208</u>

- (1) No additions or retirements are shown related to the property, plant and equipment of the subsidiary sold during the year.
- (2) These amounts represent the property, plant and equipment balances at the beginning of the period of the subsidiary that was sold during the year.
- The notes to the consolidated financial statements are made a part hereof.

SCHEDULE VI - RESERVES FOR DEPRECIATION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

Year ended January 31, 1970

COL. A Description	COL. B Balance at Beginning of Period	COL. C ADDITIONS		COL. D DEDUCTIONS FROM RESERVES		COL. E Balance at Close of Period
		Charged to Profit and Loss or Income (1)	Charged to Other Accounts - Describe	Retirements, Renewals and Replacements (1)	Other - Describe (2)	
Buildings	\$3,268,689	\$ 37,607			\$2,689,552	\$ 616,744
Fixtures and equipment	1,891,420	74,773		\$ 50,356	1,614,814	301,023
Improvements to leased property	<u>613,898</u>	<u>41,667</u>		<u>730</u>	<u>516,365</u>	<u>138,470</u>
	5,774,007	154,047		51,086	4,820,731	1,056,237
Rental property - Buildings	297,239				297,239	-0-
Fixtures and improvements	<u>210,324</u>	<u>11,223</u>		<u>213,980</u>	<u>7,567</u>	<u>-0-</u>
	<u>\$6,281,570</u>	<u>\$165,270</u>		<u>\$265,066</u>	<u>\$5,125,537</u>	<u>\$1,056,237</u>

(1) No additions, retirements, renewals and replacements are shown related to the reserves for depreciation of property, plant and equipment of the subsidiary sold during the year.

(2) These amounts represent the reserve for depreciation of property, plant and equipment balances at the beginning of the period of the subsidiary that was sold during the year.

The notes to the consolidated financial statements are made a part hereof.

each such share of a par value of one dollar (\$1.00) shall
presently, immediately, and, upon cancellation of such certificate, the
certificates of a par value of one dollar (\$1.00) each, hereinafter
issued and outstanding, shall be null and void. During such
exchange, such outstanding certificate for shares of a par value
of one dollar (\$1.00) each shall be deemed to represent
three thousand, three hundred thirty-three and one-third (3333 1/3)
shares of the stock of the corporation of a par value of three hun-
dredths of one cent (0.0033) per share each such share of one
dollar (\$1.00) par value.

FIFTH: By written informal action, unanimously taken by the
Directors of the Corporation, pursuant to and in accordance with
Article 23, Section 31 of the Annotated Code of Maryland (1957 Ed.),
the Board of Directors of the Corporation duly advised the fore-
going amendment and by written informal action unanimously taken
by the shareholders of the Corporation in accordance with Article
23, Section 47, of the Annotated Code of Maryland (1957 Ed.),
the shareholders of the Corporation approved said amendment.

IN WITNESS WHEREOF Diversified Retailing Company, Inc. has
caused these presents to be signed, in its name and on its behalf,
by its President and its corporate seal to be hereunto affixed
and attested by its Secretary this 9th day of December, 1969.

DIVERSIFIED RETAILING COMPANY, INC.

WITNESSED:
Robert M. Folmer BY Louis B. Kohn II
ROBERT M. FOLMER, SECRETARY LOUIS B. KOHN, II, PRESIDENT

STATE OF ILLINOIS
I, _____, Secretary of the _____
and of legal _____ of the _____
Articles of _____ of the _____
and, at the same time, _____
Golden, Secretary of _____, _____
form of _____, _____
the _____ of the _____ of the _____
Directors of the _____ of the _____
unanimous _____ of the _____ of the
corporation, and that the _____ of _____ in said
Articles of _____ on the _____ of his knowledge,
information and belief.

WITNESS my hand and Notary Public the day and year last
above written.

[Handwritten Signature]
Notary Public, State of Illinois
Commission expires 7/1/70

Exhibit B

FORM BCA-55

(File in Duplicate)

(Do not write in this space)

Date Paid	7-25-69
License Fee	\$
Franchise Tax	\$
Filing Fee	\$ 25.00
Clerk	J.P.

**ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF**

ASSOCIATED COTTON SHOPS INC.

(Exact Corporate Name)

To PAUL POWELL,
Secretary of State
Springfield, Illinois

The undersigned corporation, for the purpose of amending its Articles of Incorporation and pursuant to the provisions of Section 55 of "The Business Corporation Act" of the State of Illinois, hereby executes the following Articles of Amendment:

ARTICLE FIRST: The name of the corporation is:

Associated Cotton Shops Inc.

ARTICLE SECOND: The following amendment or amendments were adopted in the manner prescribed by "The Business Corporation Act" of the State of Illinois:

BE IT RESOLVED, that the name of this corporation be changed to:

"ASSOCIATED RETAIL STORES, INC."

REC'D

(Disregard separation into classes if class voting does not apply to the amendment voted on.)

ARTICLE THIRD: The number of shares of the corporation outstanding at the time of the adoption of said amendment or amendments was _____
453,000; and the number of shares of each class entitled to vote as a class on the adoption of said amendment or amendments, and the designation of each such class were as follows:

Class,	Number of Shares
--------	------------------

(Disregard separation into classes if class voting does not apply to the amendment voted on.)

ARTICLE FOURTH: The number of shares voted for said amendment or amendments was 453,000; and the number of shares voted against said amendment or amendments was 0. The number of shares of each class entitled to vote as a class voted for and against said amendment or amendments, respectively, was:

Class	Number of Shares Voted For	Number of Shares Voted Against
-------	----------------------------	--------------------------------

(Disregard these items unless the amendment restates the articles of incorporation.)

Item 1. On the date of the adoption of this amendment, restating the articles of incorporation, the corporation had 453,000 shares issued, itemized as follows:

Class	Series (If Any)	Number of Shares	Par value per share or statement that shares are without par value
Common	-----	453,000	Without Par Value \$6.00 stated value

Item 2. On the date of the adoption of this amendment restating the articles of incorporation, the corporation had a stated capital of \$2,718,000, and a paid-in surplus of \$ None or a total of \$ 2,718,000.

(Disregard this Article where this amendment contains no such provisions.)

ARTICLE FIFTH: The manner in which the exchange, reclassification, or cancellation of issued shares, or a reduction of the number of authorized shares of any class below the number of issued shares of that class, provided for in, or effected by, this amendment, is as follows:

~~_____~~

(Disregard this Paragraph where amendment does not affect stated capital or paid-in surplus.)

ARTICLE SIXTH: Paragraph 1: The manner in which said amendment or amendments effect a change in the amount of stated capital or the amount of paid-in surplus, or both, is as follows:

~~_____~~

(Disregard this Paragraph where amendment does not affect stated capital or paid-in surplus.)

Paragraph 2: The amounts of stated capital and of paid-in surplus as changed by this amendment are as follows:

	Before Amendment	After Amendment
Stated capital.....\$	\$	\$
Paid-in surplus.....\$	\$	\$

20 972 510

IN WITNESS WHEREOF, the undersigned corporation has caused these Articles of Amendment to be executed in its name by its _____ President, and its corporate seal to be hereto affixed, attested by its Secretary, this _____ day of September, 19 69.

ASSOCIATED COTTON SHOPS INC.

(Exact Corporate Name)

By Benjamin F. Rosner
Its President

PLACE
(CORPORATE SEAL)
HERE

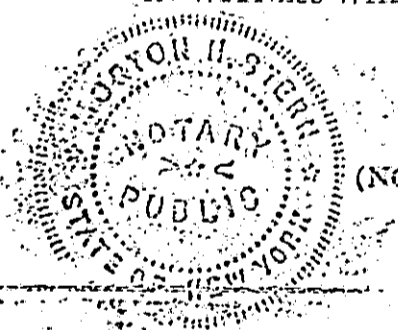


U
Edward Fern
Secretary

STATE OF NEW YORK
COUNTY OF Westchester ss.

I, Morton H. Stern, a Notary Public, do hereby certify that on the _____ day of September, 19 69, Benjamin F. Rosner personally appeared before me, being first duly sworn by me, acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.



PLACE
(NOTARIAL SEAL)
HERE

Morton H. Stern
Notary Public

MORTON H. STERN
NOTARY PUBLIC, State of New York
No. 30-912250
Qualified in Nassau County
Commission Expires March 30, 1971

Form BCA-55
Box 2779 File 275-8

ARTICLES OF AMENDMENT
to the
ARTICLES OF INCORPORATION
of
ASSOCIATED COTTON SHOPS INC.

FILED

SEP 25 1969

Paul Powell
Secretary of State

FILE IN DUPLICATE

Filing Fee \$25.00

Filing Fee for Re-Statd Articles \$100.00

(Rev. 2-Reg. 131-11460-20M-0-07)117-0

State of Nebraska
DEPARTMENT OF REVENUE
APPROVED

JAN 27 1958

C. M. A.
Director of Insurance

STATE OF NEBRASKA
SECRETARY'S OFFICE
Received and filed for record
and recorded (film roll no. 25)
Willie D. at page 2752

ARTICLES OF INCORPORATION

OF

Frank H. ...
Secretary of State

REINSURANCE CORP. OF NEBRASKA

The undersigned, natural persons of the age of twenty-one years or more, acting as incorporators pursuant to the applicable provisions of Chapters 21 and 44, Reissue Revised Statutes of Nebraska, 1943, as amended, and other applicable laws, do hereby adopt these Articles of Incorporation:

ARTICLE I

Name

The name of the corporation is REINSURANCE CORP. OF NEBRASKA.

Article II

Duration

The period of duration of the corporation is perpetual.

Article III

Purposes and Powers

The purposes for which the corporation is organized are, in general, to act as insurer and reinsurer of any risk and transact insurance business of every kind other than life and title insurance; to contract for and issue bonds, certificates, policies, and other insurance instruments, and reinsure all or any part of any insured risk in any manner as permitted by applicable law in conformity with certificates of authority, licenses, or other permits heretofore or hereafter granted or issued to it by the appropriate regulatory agencies of the State of Nebraska and other authorities having jurisdiction of its insurance business; to acquire by purchase or otherwise, hold for investment or otherwise, and dispose of for profit or otherwise, any interest in or species of personal or real property wherever located; and to undertake any commercial or other venture for which a corporation may be organized under the Nebraska Business Corporation Act, as amended, to the extent appropriate, convenient, incidental, or necessary to its insurance business; and, for the effectuation of its purposes, the powers of the corporation include without limitation all powers heretofore, now, or hereafter permitted by Chapters 21 and 44, Reissue Revised Statutes of Nebraska, 1943, as amended, and other applicable law to be exercised by a corporation and the power to do or perform to the fullest extent as might a natural person any act appropriate, convenient, or necessary to effect its purposes and not forbidden by applicable law to be done or performed by a corporation.

Article IV

Shares

The corporation has authority, not limited by any preemptive or other rights of its shareholders, to issue an aggregate of Five Thousand (5,000) shares of non-assessable common capital stock of the par value of One Hundred Dollars (\$100.00) each subject to such conditions and other terms with respect to transfer thereof and other rights therein of its shareholders as are set out in its By-Laws at the time of its acquisition by them or as are adopted from time to time by their unanimous agreement.

Article V
Directors and Officers

The affairs and business of the corporation are conducted and operated by a board of not fewer than five directors or such greater or other number of directors as is permitted by applicable law and determined from time to time in the manner set out in its By-Laws and by a president, a vice president, a secretary, a treasurer, and such one or more other officers or assistants thereto as are found from time to time appropriate, convenient, or necessary to the conduct or operation of its affairs or business; and the corporation has authority, in the manner set out in its By-Laws, to provide for indemnification of its directors and officers and for nonvoidability of transactions with respect to any adverse interest therein of its directors or officers.

Article VI
Bylaws

The Board of Directors of the corporation has authority from time to time to alter, amend, or revoke all or any part of its Bylaws in any manner appropriate, convenient, or necessary to the government and regulation of its affairs or business and not inconsistent with applicable law or these Articles of Incorporation.

Article VII
Registered Office and Agent

Subject to change from time to time as permitted by applicable law, the registered office of the corporation shall be at 3555 Farnam Street in Omaha, Douglas County, Nebraska, and the registered agent at such address is Daniel J. Monen, Jr.

Article VIII
Amendment

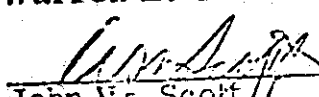
The shareholders of the corporation have authority from time to time to alter, amend, or revoke all or any part of these Articles of Incorporation at any annual, regular or special meeting by a vote of not fewer than two-thirds in interest thereof, or in any other manner as permitted by applicable law.

Article IX
Incorporators

The name and address of each incorporator is:


Warren E. Buffett

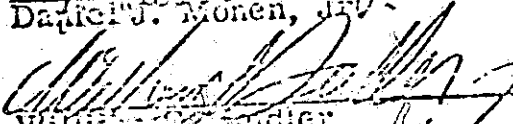
5505 Farnam Street, Omaha, Nebraska


John V. Scott

5414 Nicholas Street, Omaha, Nebraska


Daniel J. Monen, Jr.

611 South 93rd Ave., Omaha, Nebraska


William R. Sandler

3542 South 102nd Street, Omaha, Nebraska


Gordon M. Ryan

12829 Jones Street, Omaha, Nebraska

Paul F. Festersen
Paul F. Festersen

304 North 54th Street, Omaha, Nebraska

Thomas C. Emery
Thomas C. Emery

118 North 38th Street, Omaha, Nebraska

Thomas E. Whitmore
Thomas E. Whitmore

132 North 33rd Street, Omaha, Nebraska

James P. Monen
James P. Monen

4736 Franklin Street, Omaha, Nebraska

RECORDED IN COUNTY CLERK'S OFFICE, DOUGLAS COUNTY, NEBRASKA ON
June 20 1970 LLOYD W. KILMER, COUNTY CLERK

12:03 P.M.

150

REINSURANCE CORP. OF NEBRASKA

BYLAWS

Section 1: Offices

The registered office shall be located in Omaha, Douglas County, Nebraska; and the business or home and other offices may be located wherever the Board of Directors may direct or business may require.

Section 2: Meetings of Shareholders

- A. Annual meetings of the shareholders shall be held at 9:00 A. M. on the second Thursday of, if it is a holiday, the next succeeding regular business day of March of each calendar year beginning in 1970, at the business or home office or wherever the Board of Directors may direct; and special meetings of the shareholders may be held upon call by the President or a majority of the Board of Directors and shall be held upon written request subscribed by not fewer than one-tenth in interest of the shareholders and submitted to the President or the Board of Directors.
- B. The President, the Vice President, or a substitute, shall preside at, and the Secretary or a substitute shall record the minutes of, all meetings of the shareholders.
- C. A majority in interest of the shareholders shall constitute a quorum for any matter of business, but fewer than a majority in interest of the shareholders may adjourn any duly held annual or special meeting from time to time or dispose of any matter or transact any business at any duly held annual or special meeting commenced with a quorum.
- D. Each shareholder shall be entitled on the election of directors to cast, in person or by proxy, as many votes cumulatively or otherwise for each full share of stock held as there may be directors to be elected and shall be entitled on all other questions voted upon to cast, in person or by proxy, one vote for each full share of stock held; but no proxy for any shareholder shall be valid unless executed and solicited in conformity with applicable law and pertinent regulations of the Nebraska Department of Insurance and submitted to the Secretary or other recording officer at or before commencement of the regular or special meeting of the shareholders for which it is to be used.
- E. In place of holding any meeting, the shareholders may by their unanimous written consent dispose of any matter or transact any business.

Section 3: Board of Directors

- A. The affairs and business of the corporation shall be managed by a Board of such number of directors not less than five nor more than twenty-one as may be fixed by the shareholders at each annual meeting or, if no number is so fixed, of five directors the majority of whom shall be residents of Nebraska, none of whom shall be required to be shareholders or officers, and each of whom shall be elected annually by the shareholders at each annual meeting to serve for a term of office of one year or until a successor has been elected and qualified, may serve successive terms of office, and may be removed from office at any time for or without cause by a vote of not fewer than two-thirds in interest of the shareholders.
- B. Any vacancy among the directors may be filled by appointment by the remaining director or directors or, if there is none, by election by the shareholders.
- C. Annual meetings of the Board of Directors shall be held immediately following annual meetings of the shareholders, and regular and special meetings of the Board of Directors may be held as directed by the Board of Directors or upon call by the Chairman or a majority of the Board of Directors.
- D. The Chairman elected by the Board of Directors at each annual meeting or a substitute shall preside at, and the Secretary or a substitute shall record the minutes of, all meetings of the Board of Directors; and the Chairman of the Board of Directors shall have such powers and rights and be charged with such duties and obligations as usually are vested in and pertain to such office or as may be directed from time to time by the Board of Directors.
- E. A majority and not fewer than three directors shall constitute a quorum for any matter of business; but a number of directors less than a quorum may adjourn any duly held annual, regular, or special meeting from time to time.
- F. Each director shall be entitled on all questions voted upon to cast one vote in person; and any dissenting director present at any meeting shall be deemed to have assented to the disposition of any matter or transaction of any business by a quorum unless such dissent is recorded in the minutes or a written dissent is subscribed by such director and submitted to the Secretary or other recording officer at or within ten days after the final adjournment of such meeting.

Section 3 - continued

- G. In place of holding any meeting, the Board of Directors may, by unanimous written consent of the directors, dispose of any matter or transact any business.
- II. The Board of Directors may designate an Executive Committee and one or more other committees from among the directors; and the Executive Committee and such other committees as are designated shall have such powers and rights and be charged with such duties and obligations respectively as usually are vested in and pertain to such committees or as may be directed from time to time by the Board of Directors.
- I. The Board of Directors may fix a reasonable fee for the services of the directors and may provide for the reimbursement of expenses incurred by them.

Section 4: Officers, Agents and Employees

- A. The officers shall be a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, and one or more Assistant Treasurers, none of whom shall be required to be shareholders or directors and each of whom shall be elected annually by the Board of Directors at each annual meeting, to serve a term of office of one year or until a successor has been elected and qualified, may serve successive terms of office, may be removed from office at any time for or without cause by a vote of a majority of the Board of Directors, and shall have such powers and rights and be charged with such duties and obligations as usually are vested in and pertain to such office or as may be directed from time to time by the Board of Directors; and the Board of Directors or the officers may from time to time appoint, discharge, engage, or remove such agents and employees as may be appropriate, convenient, or necessary to the affairs and business of the corporation.
- B. Any vacancy among the officers may be filled by election by the Board of Directors.
- C. The salaries or other remuneration of the officers shall be fixed from time to time by the Board of Directors in conformity with applicable law and pertinent regulations of the Nebraska Department of Insurance, and the Board of Directors or the officers may fix wages and other compensation paid any agent or employee.

Section 5: Adverse Interest and Indemnification

- A. No director or officer shall be accountable or liable for any expense, gain, loss, or profit in connection with any transaction in which such director or officer may have any actual or potential direct or indirect adverse interest unless such director or officer failed to act in good faith by reliance upon the reasonable advice of counsel or otherwise; and no such transaction shall be void, even if the vote of such director may be required for its authorization or ratification, or voidable unless such adverse interest was unknown to the Board of Directors and such transaction was not fair and reasonable for the corporation.
- B. Every director and officer shall be entitled to be fully indemnified by exoneration, reimbursement, or otherwise, for all reasonable cost or expense incurred in the exercise of the powers and rights or the discharge of the duties and obligations of such office unless such director or officer failed to act in good faith by reliance upon the reasonable advice of counsel or otherwise.

Section 6: Capital and Shares

- A. Each legal owner of any share or shares shall be entitled to be issued a certificate which shall be dated, numbered, sealed and signed by any two of the President, the Vice President, the Secretary and the Treasurer, which shall designate the number of shares held, and which shall be of such form and other content as the Board of Directors may direct; and any destroyed or lost certificate may be replaced upon such reasonable conditions as the Board of Directors may direct.
- B. The Secretary shall maintain a record book in which shall be recorded the pertinent details of the issuance and transfer of the share or shares from time to time issued and outstanding; and the corporation may rely upon the record book and shall not be required to acknowledge the transfer of any share unless the certificate or certificates issued therefor is or are first presented or surrendered to the corporation for cancellation together with proper authority for or proof of the transfer and a new certificate or new certificates therefor are issued as the circumstances of such transfer may require.
- C. No shareholder shall have any preemptive or other right to subscribe for any share or shares from time to time authorized but not issued, and any such share or shares may from time to time be issued and sold or otherwise disposed of or held as the Board of Directors may direct.

Section 6: continued

- D. For the purpose of determining each legal owner of any share or shares entitled to vote, to receive dividends, or otherwise to be treated as a shareholder of record for the disposition of any matter or transaction of any business, a record date may from time to time be fixed not more than fifty nor fewer than ten days before such event as the Board of Directors may direct; and the corporation may rely upon the record book at the close of business on such record date and shall not be required to acknowledge the transfer of any share or shares after the close of business on such record date but on or before the date of such event.

Section 7: Financial and Related Matters

- A. From such source or sources as may properly be available therefor in conformity with applicable law and pertinent regulations of the Nebraska Department of Insurance, dividends may be declared and paid in cash, shares, or otherwise upon the share or shares issued and outstanding from time to time as the Board of Directors may direct.
- B. Funds and monies of the corporation may be deposited by the officers, agents, and employees from time to time in such depository or depositories located in Nebraska or elsewhere as the Board of Directors may direct; and all checks, drafts, or other orders upon the corporation shall be signed by the President or such other officers, agents, or employees as the Board of Directors may direct.
- C. The President or such one or more other officers as the Board of Directors may direct may negotiate and consummate for the corporation all arrangements appropriate, convenient or necessary to any loan to the corporation.
- D. The fiscal year of the corporation shall coincide with the calendar year unless otherwise directed by the Board of Directors.

Section 8: Books, Records and Reports

The books and records of the corporation shall be maintained at the business or home office or elsewhere as the Board of Directors may direct; and the directors and officers shall at each annual meeting of the shareholders present a clear and full report of the condition of the affairs and business of the corporation and shall otherwise maintain such records and make such reports as are required in conformity with applicable law and pertinent regulations of the Nebraska Department of Insurance.

Section 9: Notices

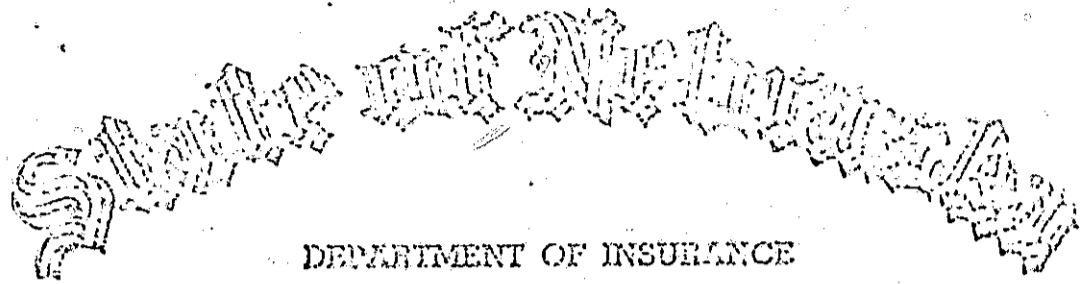
At least ten but not more than fifty days before each annual or special meeting of the shareholders or of the Board of Directors, each shareholder or director shall have actual knowledge or be given, by mail or otherwise, written notice of the time, place and general purpose of such meeting in conformity with applicable law and pertinent regulations of the Nebraska Department of Insurance, but the giving of any notice required by applicable law, such regulations, the Articles of Incorporation, or these Bylaws may at any time be waived in writing or otherwise by any person thereto entitled, such waiver, however and whenever made, being deemed fully equivalent to the due giving of such notice.

Section 10: Seal

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation and the state of incorporation and the words "corporate seal".

Section 11: Adoption and Amendment of Bylaws

These bylaws shall take effect from and after their adoption by the Board of Directors; and thereafter all or any part thereof may from time to time be altered, amended or revoked by the Board of Directors.



DEPARTMENT OF INSURANCE



CERTIFICATE OF AUTHORITY

REINSURANCE CORPORATION OF NEBRASKA

a stock company of Omaha, Nebraska

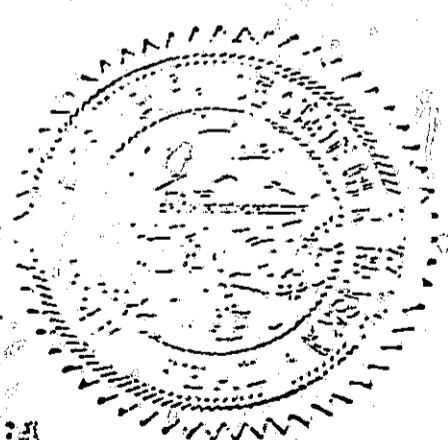
IS HEREBY AUTHORIZED AND LICENSED TO TRANSACT THE BUSINESS OF INSURANCE IN THE STATE OF NEBRASKA AS DESCRIBED BY SUB-SECTION(S) 1,3,4,5,6,7,8,9,10,12,13 and 14 OF SECTION 44-201 OF THE STATUTES OF NEBRASKA UNTIL AND INCLUDING THE THIRTIETH DAY OF APRIL, 1971.

SIGNED AT LINCOLN, NEBRASKA

May 4, 1970

Benjamin C. Neff

DIRECTOR OF INSURANCE



END