

00015644 111 Diversified Retailing Co., Inc. -EMG - F Co: D67400000 1300 Mercențile Bank & Trust Building. Baltimore: Md. 21201 SEC File No 2-27473 Exch: Other IRS No: 52-0846159 CUSIP: 2553279 Fiscal Year Ends: 1/29 SIC No: 531 圙 a Q:=.: COPYRIGHT (1) 1973 by LEASCO INFORMATION PRODUCTS, INC. 61 DISCLOSUR A MARTINE CONTRACTOR **A**

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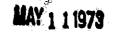
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Stata. of Eucorposetion: Maryland I.M.S. Employer Identification No. 52-0846259

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Regentrants calculatio number, including even onde: (301) 753-3985

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Diversight Retailing Company, Inc. (hereinafter referred to as "the Company"), a Maryland comparation, is a holding company which remarks functional and operating advice to its wholly-owned subsidiary, Associated Notail Stores, Inc. (hereinafter referred to "as "Auseclated") and to Associated's subsidiaries. The Company also owns cartain markemable securities. The Company has no direct salaried employees and (with certain nominal exceptions noted under <u>ITEM 12.</u> <u>DIRECTORS OF REGISTIONT</u> and/or under <u>ITEM 13. REMUNERATION OF</u> <u>DIRECTORS OF REGISTIONT</u> and/or under <u>ITEM 13. REMUNERATION OF</u> <u>DIRECTORS AND OFFICERS</u>) does not compensate its Directors and Officers for their services. The Company's President, Robert M. Goldman, acts upon material corporate matters only with the approval of the Board of Directors of the Company.

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B. Associated Retail Storer, Inc.

Associated, an Illinois Corporation, is the Company's whollyowned subsidiary. Associated operates a chain of sixty-eight (68) stores which sell at rotail popularly priced women's and, in a number of stores, children's apparel. The stores are located in downtown, neighborhood and shopping center retail areas of principal cities in nine (9) states, in leased or owned promises (see <u>ITEM 3. PROPERTIES</u>), and operate under various trede names.

Associated secks to afford its customers a wide variety of available merchandise while reducing its overhead costs to as low a level as is possible. Because of the number of stores operated by Associated, it is able to practice certain economies of scale. All of Associated's stores are served by a central buying and warehousing organization located in New York City, from which the stores' apparel

OTE: Unless the text otherwise indicates, all statements made in PART I describe circumstances existing as of Pobruary 3, 1973. lines are edministrated. A staff of nurchandice managers and buyers maintains daily personal contact with the apparel markets located in New York City and elsewhere. Nearly all receiving and purchasing. activities are conducted in the central varehouse, from which shipments are made daily to the various stores. Associated utilizes detailed inventory control and analysis procedures, primarily through the use of a leased LEM 360 computer system with peripheral supporting equipment, in order to identify popular and fast-selling items for rapid replacement, and to identify those items requiring an immediate reduction in price so that they may be sold quickly. In addition, Associated utilizes interchangeable store fixtures to facilitate the opening and closing of its stores. Associated's policy of making sales only for cash or on credit under approved bank charge account plans has allowed it further to avoid unnecessary overhead costs. Associated regularly employs approximately one thousand

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five hundred (1.500) full and part-time employees, and seasonally employs an additional two hundred (200) employees. All of its sales personnel are paid at an hourly rate, and none are paid sales commissions. Approximately eighty percent (80%) of Associated's employees are covered by union contracts which expire at various times. There were no significant changes in employee relations during the fiscal year ended February 3, 1973, and Associated's management considers its relations with its employees to be satisfactory.

Whe business of most of the stores, particularly those in the larger cities, involves intense competition with other stores selling similar merchandise, including discount and department stores, specialty shops and stores operated by national chains.

As discussed under <u>ITEM 3. PROPERTIES</u> and <u>ITEM 5. PENDING</u> <u>LEGAL PROCEEDINGS</u>, two premises upon which Associated operates stores in Philadelphia, Pennsylvania, have been the subject of condemnation proceedings. During the fiscal year ended February 3, 1973, the combined gross sales of the two stores were approximately \$2,701,425,

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Achich when the prevents opproximitely 7.3° of the adgregate where sales of all stores operated by Associated. Although Associated her ontinued to operate both stores during the pendency of those proceedings, Associated has attempted, and will continue to attempt, to assure its ability to continue its present level of operations in the Philadelphia market, should it be unable to continue to occupy and use either or both of the suid locations. Movever, at this time mather the Company nor Associated is able to state with assurance that Associated will be able to retain the right to occupy and use either location on other than a short-term basis, or that it would be able to relocate the operations of either store within the Philadelphia market, should it be unable to retain the said occupancy.

In addition to operating the chain of rotail stores, Associated wholly owns three (3) subsidiarian:

(1.) Fashion Outlat of Michigan, Inc.

Fashion Outlet of Michigan, Inc. (hereinafter referred to as "Pashion Outlet"), a Michigan corporation, is a wholly-owned subsidiary of Associated which operates, or leased premises, a single popularly priced women's and children's appared store in Saginaw, Michigan. The store is operated under the name "Fashion Outlet" so as to allow Fashion Outlet to retain the right to use that name in ³ Michigan. The store is similar in its method of operation to a majority of the stores operated directly by Associated. The store is ³ operated by a staff copleyed by Fashion Outlet.

2(2) Anbec, Inc.

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Anbac, Inc. (hereinafter referred to as "Anbec"), an Illinois corporation, is a wholly-owned subsidiary of Associated, the sole business of which consists of the ownership of certain, improved real property located in Chicago, Illinois, and the leasing of that property to Associated for the latter's operation of one of ity retail stores. Anbec has no employees.

(3) Columbia Insurance Company

Columbia Insurance Company" (hereinafter referred to as "Columbia"), a Nobraska corporation, is a wholly-owned subsidiary of Associated which engages solely in the business of accepting portions of rainsurance contracts. Columbia operates under a certificate of authority to transact the husiness of insurance (with the exceptions of life and title insurance) issued by the Department of Insurance of the State of Nebraska. At present, Columbia's business consists soluly of the acceptance of portions of reinsurance contracts gonerated through and offered to Columbia by the reinsurance division of National Indemnity Company (hereinafter referred to as "National Indemnity"), on occasions when National Indemnity does not itself insure the full amount of contracts offered to it for reinsurance by other insurers. When Columbia accepts from National Indemnity the portion of a coinsurance contract so offered to it, Columbia generally pays to National Indemnity a commission of one-half (1/2) of the standard commission applicable to such business, which standard commission normally is one percent (1%) on "pro rata" business and ten percent (10%) on cortain "excess" business. In consideration of Columbia's payment to National Indemnity of such commission, National Indemnity manages the bookkoeping and other internal technical affairs of Columbia.

Approximately 99.95% of the common stock of National Indomnity is ewaed by Derkshire Mathaway, Inc. (hereinafter referred to as "Berkshire"), a Messachusetts corporation. Although as of February 3, 1973, Warren E. Buffett, a member of his immediate family, the Company-

* Prior to December 26, 1972, the name of the corporation was "Reinsurance Corp. of Nebraska". On that date, pursuant to the unanimous consent of its directors and its sole shareholder, articles of amendment to the articles of incorporation of Reinsurance Corp. of Nebraska were adopted, by which the name of that co poration was changed to "Columbia Insurance Company". Those articles of amendment were filed for record insurance Company". Those articles of amendment were filed for record with the Secretary of State of Nebraska on December 28, 1972, and have been approved by the Department of Insurance of the State of Nebraska.

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and its subsidiaries aread subgrantial encounts of the common stock of Horkebirg and although Hr. Buffett is the Chairman of the Board of Directors of the Company, of Associated, of Columbia, and of Barkshire (see <u>TTCH 4</u>, <u>BARENTE OF SUBSTITUTES</u> and <u>ITEM 12</u>, <u>DIRECTORS OF</u> <u>RECENTEANE</u>), both Mr. Deffett and the Company disclaim individual and/or joint control of Berkshire, and National Indemnity is not obligated to offer all or any portion of any reinsurance contract to Columbia. Accordingly, Columbia cannot be cartain that it will continue to be offered business theory the reinsurance division of National Indemnity, presently its only source of business. Columbia currently is completally dependent upon the continuance of its business arrangements with National Indemnity since Columbia has no independent staff for generating or evaluating business, settling losses or handling other administrative details. 0

The Company believes that its excrations and those of Associated and its Subsidiaries have at all times been conducted in accordance with the requirements imposed upon them by the federal wage-price controls.

> C. Lines of business and classes of similar products or Bervices

The Company's primary line of business (genducted through its subsidiary, Associated) is the retail sale of women's and children's apparel. Both prior to the fiscal year ended January 29, 1972, and during the fiscal year ended February 3, 1973, that line of business was the Company's only line of business accounting for more than fifteen percent (15%) of either the Company's total sales and revenues or the Company's income (or less) before taxes and extraordinary items. During the fiscal year ended January 29, 1972, the reinsurance business of the Company's subsidiary's unconsolidated insurance subsidiary, Columbia, represented a second such line of business.

The following table indicates the percentages of (1) total sales and ruvenues; and (2) income (or loss) before income taxes, equity in earnings of affiliated companies and extraordinary items, attributable to each such line of business during the last five (5) fiscal years:

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Figenl year	and cd	8 of total sales and revenues	<pre>% of consol- idated income (or loss) be- fore decome taxes, equity in carmings of affiliated companies and extraordinary items (a)</pre>		<pre>% of consol- ldated income (or loss) be- fore income taxes, coulty in carnings of affiliated companies and extraordinary items (a)</pre>
Folgenary 1,	1.969	100%	1008	(c)	(15)
January 31.,	1970	1003	1008	(d)	an a
January 30,	1971	99.78	99.58	0.36	0.59
January 29,	1972	97.58	80,.58	2.48	1.9.5%
February 3,	1973	s 13 . 8 %	97.38	4.28	2.78

Inasmuch as each line of business involves one and only one class of similar products and/or services, the percentages cnumerated for a line of business are equally correct for the respective class involved thorein.

(a) The Company has no operations other than those of Associated and its subsidiaries; its loss before income taxes and extraordinary items has been excluded in computing these percentages.

(b) Prior to the fiscal year ended January 30, 1973, the Company did not engage in the business of reinsurance.

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Summary of consolidated operations (in thousands of

Diversified Retail	ling Company, I	nc. and subsid	iary .	(a. 	
a B B B B B B B B B B B B B B B B B B B	, ,		year ended		
े. के में ते 	February 3, 1973		anuary 30, 6 1971 (e)	(cnuary 34), [1 1970 (e)	<u>1969</u>
cost	\$38,918 25,428 637 665	\$38,598 25,688 673 617	\$39,832 26,444 6470 1,231	\$30,113 25,443 565 1,301	\$37,508 25,573 €09 ≠ \$34
operations before deted subridiary les and extra-	597	577	1,247	1,017	243
continued opera- income taxes nconsolidated	955	621	• • • • • • • • • • • • • •	403	754
ffiliated com-s) (a), (c), (d)	1,173 193 2,918	429 (111) 1\$516	380 1,720	(1,319) (1,319)	° 1,998 * N
a			6		e.

		R1SCAL
	February 3, 1973	January 20, Ja 1972 (e) 1
Met sales Cost of goods sold Interest and financing cost	\$38,918 5,128 637	\$38,598 25,688 673
Takes on income Earnings of continuing operations before	685	6 ±7
and affiliated companies and extra- ordinary item	597	577 ()
Earnings related to discontinued opera- tions less applicable income taxes Equity in earnings of unconsolidated		
subsidiary Equity in earnings of affiliated com- panies	955 1,173	621 429
Extraordinary gain (loss) (a), (c), (d) Not earnings	193 2,918	(111) 19516
-0		and the second

		1 T - 10	÷.	12.12	
	Earnings per share (b):	1		0.22	1.7
	Earnings of continuing operations before	· .	e jak	e de la composition de	
Ġ.	equities in earnings of unconsolidated			e.	. k.
	subsidiary and affiliated companies and				
		Ś	.60	Ċ.	. 58
	extraordinary item	2	.00	9	÷ 0 0
	Earnings related to discontinued opera-	н. 1919 - Ала			
2 · ·	tions less applicable income taxes	.	a grant ta		G ₄
	Equity in earnings of unconsolidated	- <u>-</u>	\$		
	subsidiary	n na fr	.96	ta an	.62
	Equity in earnings of affiliated com-	SZ - S	1875 - 18 19	3	~
		a de la composición	1.17		.43
	panios for a particular and the second			4	
	Extraordinary gain (loss)		.19 .		(.11)
	Net earnings	e di di	2.92		L.52
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Cash dividends per share

None None х^с с_о, у.

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(a) The contraction ry loss for sincel 1970 resulted from the sale of a constitution rul is shown act of \$83,000 of income taxes on taxeble gain.

(b) Marning por chara have been repeated to reflect a 3,333 1/3-to-1 stock uplighted perurred in December, 1969.

(a) WE estraordinary loss for fiscal resulted from additional income term. related to in note (a) above.

(1) The extraordinery pain for fiscal 1973 resulted from the taxable gain of an exclusive of securities and is shown not of \$83,000 of income taxes.

(c) Bestaved to reflect a change in 1973 to the equity method of account-

Statement of approlidated additional paid-in capated and approach retained in the business

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Diversified Retailing Company, Inc. and Subsid Mary

Five years ended February 3, 1973

(in thousands of dollars)

Additional paid-in <u>capital</u>	Earnings retained in the business
Balance St. February 3, 1968 \$5,000	\$3,654
Net earnings for the year ended February 1, 1969	1,998
Balance at February 1, 1969 6,000	5,652
Net carnings for the year ended January 31, 1970	11.4
Balance at January 31, 1970	5,766
Net explings for the year ended January 30, 1971	1,720
Unrealized appreciation of marketable securities of uncentolidated fasur- anca subsidiary of Associated Retail Stores, Inc., less provision for	
jo income times	<u>• 384</u>
Belance at Manuary 30, 1971 6,000	7,870
Net eat.Pows for the year ended January 29, 1972	1,516
Reversal of unrealized appreciation a solution of marketable socurities of uncon- solidated insurance subsidiary of	۵
Associated Retail Storbs, Inc., less provision for income taxes	(384)
Balance at January 29, 1972 Net earnings for the year ended	9,002
February 3, 1973	2,918 •
Balance at February 3, 1973	\$11,920

NOTE: The use of parentheses () indicates a d wetton. The notes to Use consolidated financial statements are made a p. t hereof.

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12 B. J. PROPERTIES.

A. General

The operating offices of the Company are Located in the law offices of the firm of Frank, Bernstein, Conaway and Goldman, 1300 Mercantile Bank and Trust Building, 2 Hopking Plaza, Baltimore, Maryland 21201, in which firm Robert M. Goldman, the President of the Company, is a partner. The Company pays no rent for the said offices and, except for certain legal and bookkeeping activities, only dimined operational activities of the Company take place thorain.

B. Associated Rotail Stores, Inc.

The stores operated by Associated (see ITEN 1. BUSINESS) range in size of floor area from approximately two thousand (2,000) square feet to approximately fifty thousand (50,000) square feet. The total floor area of all of the stores is approximately seven hundred fifty thousand (750,000) square feet.

Ascociated owns the land and improvements of only five of its store locations, all of which are in Chicago, Milwaukee and Philadelphia. One of those locations, however, is the subject of a pending condemnation proceeding. (See ITEM 1. BUSINESS and ITEM 5. PENDING LEGAL PROCEEDINGS.) Its subsidiary, Anbed, owns the land and improvements of one store location (in Chicago), which premises are leased to Associated for the latter's operation of a store. Assoglated leases its remaining store locations, for terms expiring on dates from 1973 to 1988. One store location is leased on a month-tomonth basis. (See ITEM 5. PENDING LEGAL PROCEEDINGS.) The aggregate annual minimum rental paid by Associated for the store locations which it leases is approximately \$1,450,000. Most of the leases, however, provide for the payment of additional rent based upon the volume of sales at the particular location, and a few provide for the payment by Associated of applicable real estate taxes and/or other expenses. The furniture and fixtures utilized in the stores are standardized and, in the opinion of the Company, represent a minimum investment.

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Associated's executive, hoving and administrative offices are located in a New York City watchouse (see <u>ITEM 1. DUSINESS</u>) leased by Associated for a kork expiring on December 31, 1973. Associated has made no documination as to whether the lease will be renewed. The warehouse has a floor area of approximately eighty thousand (80,000) square feet. Associated leases an additional twelve thousand (12,000) square feet of floor area in a nearby building.

Fashion Outlet leases the premises upon which it operates its one retail store. Columbia has no independent operating offices and over no facilities; all of Columbia's activities are conducted by Warron B. Buffett, its President and the Chairman of its Board of Directors, from his offices in Omaha, Nebraska.

ITEM 4. PARENO'S AND SUBSTDIARTES.

A. Parents

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As of February 3, 1973, Warren E. Buffett owned 39.04% of the Company's common stock; First Manhattan Co. (of which David S. Gottesman was and is a general partner) held of record ten percent (10%) of that stock; Wheeler, Munger and Co. (of which Charles T. Munger was and is a general partner) owned ten percent (10%) of that stock; and Susan T. Buffett, the spouse of Warren E. Buffett, owned three percent (3%) of that stock. (See ITEM 11. PRINCIPAL SECURITY <u>HOLDEPS AND SECURITY HOLDINGS OF MUNAGEMENT</u> and ITEM 12. DEPECTORS OF <u>RUGISCIANT</u>.) First Manhattan Co. and Wheeler, Munger & Co. each disclaims any status which would cause it to be deemed a parent of the Compuny.

Subsidiaries

В.

The Company owns one hundred percent (100%) of the issued and outstanding voting socurities of its subsidiary, Associated Retail

* This percentage was computed without taking into account Mr. Buffet's interest as trustee under various trust instruments in certain shares of the Company's common stock, and his interest in certain other shares of such stock as a result of the interest in those shares of a member of his family. See ITAM 11, PRINCIPAL SECURITY HOLDERS AND SECURITY HOLDERS OF DANAGEMENT.

- 10 -

DISCLOSURE IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT, IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT. Stores, Inc., an Illinois corporation. Associated owns one hundred percent (100%) of the issued and outstanding voting securities of its three subsidiaries: Anbec, Inc., an Illinois corporation; Columbia Insurance Company, a Nobraska corporation; and Fashion Outlet of Michigan, Inc., a Michigan corporation. Associated, Anbec and Fashion Outlet are included in the consolidated financial statements of the Company. In accordance with Rule 4.09 of Regulation S-X, promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, Columbia is not so consolidated.

As of February 3, 1973, Associated beneficially owned ... approximately 11.68% of the common stock of Blue Chip Stamps (hereinafter referred to as "Blue Chip"), a California corporation - Columbia beneficially owned approximately 4.93% of that stock; and Warren E. Buffettobeneficially owned approximately 10.85% of that stock. -On that date, the beneficial ownership of that stock by Mr. Buffett and his associates, including Associated, Columbia, National Indomnity, National Fire and Marine Insurance Company (a wholly-owned subsidiary of Berkshire), Cornhusker Casualty Company, Lakeland Fire and Casu-"alty Company, Texas United Insurance Company and Nome and Automobile Insurance Company (each of which is a wholly-owned subsidiary of National Indemnity) aggregated approximately 46.76% of the common stock of Blue Chip. In addition, Wheeler, Munger & Co. (of which Charles T. Munger is a general partner) owned beneficially on that date approximately seven percent (75) of that stock, and David S. Gottesman, a general partner of Firste Manhattan Go., owned beneficially substantially less than one percent (12) of that stock. "the Company, Mr. Buffett and each of his said associates, Wheeler, Munger & Co., and Mr. Gottesman disclaim individual and joint control of Blue Chip.

Prior to March 14, 1972, Associated owned approximately 270,584 shares of the Class A common stock of Thriftmart, Inc., a

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Critiornia corporation. On there dote, Associated exchanged all of the said shares for 360,000 shares of the common stock of Blue Chip. Neither the Company Nor Associated and its subsidiaries had any interest in Thriftmart, Inc. as of February 3, 1973.

As of February 3, 1973, the Company owned beneficially approximately 2.6: of the common stock of Berkshire, a Massachusetts" corporation; Asson icd owned beneficially approximately 1.57% of that stock; and Columbia conved beneficially approximately 4.97% of that stock. In addition, on that date Warren E. Buffett and Susan T. Buffett, his spouse, respectively could beneficially approximately 33.34% and approximately 2.5% of that stock. The Company, Associated, Columbia, Mr. Buffett and Mrs. Buffett disclaim individual and/or joint control of Berkshire.

ITEM 5. PENDING LEGAL PROCEEDINGS.

With the two following exceptions, other than ordinary routine litigation incidental to the business of the Company, Associated and Associated's subsidiaries, none of the said companies are parties to any material pending logal proceedings and none of their property is the subject thereof:

A. 2 913-917 Narket Street, Philadelphia, Pennsylvania

Associated owns the improved real property located at 913-917 Market Street, Philadelphia, Pennsylvania, where it operates one of its recail stores. Condemnation proceedings were instituted against that property by the Philadelphia Redevelopment Authority on May 21, 1970, in the Court of Common Pleas of Philadelphia County, in which proceedings Associated challenged the condemnation. Associated has continued to occupy the premises and to operate the store thereon during the course of the condemnation proceedings, as it has since

"In Barkshire's Proxy Statement for Special Meeting in Lieu of Annual Meating of Stochholders, dated March 30, 1973, it is proposed that Berkshire reincorporate under Delaware low by means of a statutory mergar into a newly organized, wholly-owned Delaware subsidiary. The said meeting was to be held on May 1, 1973.

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1951. At or February 3, 1973, the real property and the improvements the son were well-cred on the books of Associated at a net book value of \$874,336.

The Philadelphia Redevelopment Authority has paid into court the sum of \$1,348,095, representing the Authority's estimate of what amount would constitute fair compensation to Associated for the condemnation. Associated recently has agreed informally with the Authority to accept that sum plus an additional sum of \$134,809.50 (for a total of \$1,482,904.50) plus certain other consideration, in exchange for its agreement to withdraw its challenge of the condemnation. The formal consummation of that agreement is pending. (See ITEM 1. BUSINESS and ITEM 3. PROPERTIES.)*

B. Personal injury suit

Associated is a defendant in a suit instituted in the Court of Common Pleas of Philadelphia County, Pennsylvania, claiming approximately \$10,000 actual and \$1,000,000 punitive damages for a personal injury sustained by a customer of one of Associated's Philadelphia stores while in that store. The suit was instituted more than five years ago. Associated's insurance carrier is defending the action, but has notified Associated that, under Pennsylvania law, the insurer has no fliability under Associated's policy for punitive damages. Associated's counsel in the said litigation is of the opinion that the likelihood of a recovery of punitive damages by the plaintiff therein is remote.

*Associated operates another of its stores on premises located at 835 Market Street, Philadelphia, Pennsylvania, which premises are leased by Associated from the Philadelphia Redevelopment Authority on a month-to-month basis. The Authority took title to the real property a month-to-month basis. The Authority took title to the real property and improvements at that location from Associated's former landlord prior to the beginning of the fiscal year onded February 3, 1973, following a condemnation proceeding in which Associated, as tenant, had challenged the condemnation. Associated's participation in that proceeding terminated prior to the beginning of the said fiscal year. (See "ITEM 1. BUSINESS and ITEM 3. PROPERTIES.)

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ITIM 7. APPRONIMATE NUMPER OF ECUITY SEQURITY HOLDERS.

Title of class	Number of record holders (a)
Divorsified Retailing Cor, Inc. common stock, par value \$0.0003 per share	275
ber succession of the second se	
TTEN 8. EXECUTIVE OFFICERS OF THE B	EGISTIAN.
The second s	office(s) held

B LN CLUIVA		
Warren E. Buffott Robert M. Goldmon (b) David S. Gotterman		Chairman of the Board of Directors President; Director Vice-Fresident; Director Vice-Fresident; Director
Charles T. Nunger Charles F. Heider Max H. Blumenthal (b)	46	Director
Larry C. Cummings (b)	29	Treasurer; Assistant Secretary

ITEM 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company has no charter provision, by-law, contract or arrangement under or pursuant to which any of its Directors or Officers are insured or indemnified in any manner against any liability which may be incurred in their capacity as such. However, under article 23, section 64 of the Annotated Code of Maryland (1957 ed., as amended), the Company may indemnify any Director, Officer, employee or agent of the Company egalust the expenses of liability incurred as a result of his good faith performance of duty in such capacity, subject to certain restrictions upon such indemnification which are provided in the said statute.

(a) The information is given as of February 3, 1973.

(b) Both Mr. Goldman and Mr. Blumenthal are partners in the law firm of Frank, Bernstein, Conaway and Goldman, 1300 Mercantile Bank and Trust Building, 2 Hepkins Plaza, Baltimore, Maryland, which firm represents the Company. Mr. Blumenthal became Secretary on March 1, 1972, following the resignation, effective as of that date, of Ronald M. Shapiro from that office. Mr. Shapiro was also a partner in that firm until his withdrawal therefrom on March 31, 1973. Mr. Cummings is an employee of that firm.

14

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TUEM 10. FINANCIAL STATEMENTS - FUILDITS FILED.

A. Financial statements

A list of the financial statements and schedules of the Company, of Associated, and/or of Associated's subsidiaries which are filed herewith immediately precedes those documents horein.

B. Exhibits filed

(2.5)

Exhibit A: <u>Computation of earnings per share</u> Exhibit B: <u>1972 Annual Report of Elue Chip Stamps</u> Exhibit C: <u>1972 Annual Report of Perkshire Nathaway, Inc</u>.

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PARS II

JTEM 11. PAINGAPAS SUCCREAS FOLDERS AND SECURITY

A. Principal Set by Holders

Name and Address	Title of class	Type of ownership	Amount cwned (a)	Percent of class
Warron D. Buffett 5505 Farnan Street Omaha, Neuraska	common	record and beneficial	390,075 (b)	« 39.01 %
First Kaphattan Co 30 Wall Stweet New York, Dew York	e transformation of the second s	record only	, 100,000 (c)	10, <u>0</u> 00%
Whacler, Munger & 618 South Spring S Los Angeles, Cali-		record and beneficial	100,000 (d)	10.000

(a) The information is given as of February 3, 1973.

fornia.

(b) This abount does not include any of the following shares of common stock, as to which Mr. Buffett disclaims the beneficial ownership:

(i) 31,113 shares held by a member of Mr. Buffett's immediate family;

(ii) 3,732 chares held in trust under the Last Will and Testament of Howard H. Buffett, deceased, as to which Mr. Buffett is the trustee;

(iii) 552 shares held in equal amounts in three trusts, each of which is for the benefit of a member of Mr. Buffett's family, and as to each of which he is a co-trustee;

(iv) 2,304 shares held in three equal amounts by Mrs. Doris B. Lear, a sister of Mr. Buffett, as Custodian under the Nebraska Uniform Gifts to Minors Act, each for the benefit of a member of Mr. Buffett's family, and

(v) 429 shores held in equal amounts in three trusts, as to each of which Mr. Buffett is a co-trustee.

(c) David S. Gotterman, a Director and a Vice-President of the Company (and a general partner of First Manhattan Co.) beneficially owned 35,000 of the said 100,000 shares. An additional 5,000 of the said 100,000 shares are held in trust for the benefit of certain members of Mr. Gottesman's immediate family and an additional 7,296 of the said 100,000 shares are owned beneficially by a member of Mr. Gottesman's immediate family. The remaining 52,704 of the said 100,000 shares are owned beneficially by other partners of the firm or their personal representatives. Mr. Gottesman disclaims the beneficial ownership of the shares held in the said trust and of the shares owned by the member of his immediate family.

(d) As a general partner of Wheeler, Munger & Co., Charles T. Munger, a Dimector and a Vice-President of the Company, possessed an interest in the said 100,000 shares.

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B. Security Holdings of Management

Title of class

Diversified Retailing Co., Inc., common stock, par value 0.0003 per share (1)

39.51%

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Percent of class

Under the partnership agreement of First Manhattan Co.,

the firm possesses certain voting rights as to the 100,000 shares of the Company's common stock which the firm owns of record and which is beneficially owned in various amounts by certain partners therein, members of their immediate families or personal representatives. (See note (c) to this Item.)

425,075 (g)

Amount beneficially council (e)

(c) Subject to the exceptions indicated in note (g) to this Item, this column indicates the number of shares of the common stock of the Company beneficially owned directly or indirectly by all Directors and Officers of the Company, as a group, as of February 3, 1973.

(f) The Company has no other class of equity securities. No Director or Officer possesses the beneficial ownership of any share or shares of equity securities of the Company's subsidiary, Associated, or of any Officer Associated's subsidiaries (Anbec, Columbia and Fashion Outlet). As noted under <u>TTEM 4. PARENTS AND SUBSIDIARIES</u>, the Company, Associated and Columbia each disclaims control of Blue Chip.

(g) This amount does not include any of the following shares of common stock:

(i) the shares referred to in notes (b) and (d) to this Item, which notes are incorporated herein by reference;

(ii) The 5,000 shares held in trust for the benefit of certain members of David S. Gottesman's immediate family and the 7,296 shares owned beneficially by a member of Mr. Gottesman's immediate family referred to in note (c) to this Item, which note is incorporated herein by reference; and

(iii) 577 shares owned boneficially by a member of Charles C. Heider's immediate family, individually, and 370 shares owned beneficially by a momber of Mr. Heider's immediate family as custodian for certain other members of Mr. Heider's immediate family, as to all of which shares Mr. Heider, a Director of the Company, disclaims the beneficial ownership.

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17131 12. DIFECTORS OF THE RECISTRANT.

Each of the following persons served as a Director of the Company during the outire fiscal year ended February 3, 1973. The term of office of each such Director expired on February 6, 1973, the date upon which the Company held its unnual meeting of stockholders. Each of the said persons was reelected for another full term as a Director, which term will expire on February 5, 1974.

A. <u>Marren E. Buffett</u> Warren E. Buffett is the Chairman of the Board of Directors of the Company, having held that office since the Company's organization in 1966. Since January 1, 1970, Mr. Buffett's principal occupation has consisted of the making of personal investments. During the eight years prior thereto, his principal occupation was that of general partner of Buffett Partnership, Ltd. Since 1970, Mr. Buffett has been the Chairman of the Board of Directors of Associated and of Berkshire, and the Chairman of the Board of Directors, President and Treasurer of Columbia. Mr. Buffett is also the Chairman of the Board of Directors of Cornhusker Casualty Company and of National Fire and Marine Insurance Company.

D. David S. Gottesman

David S. Cottesman, a Director and a Vice-President of the Company, is and has been for the past five years a general partner in the broker-dealer securities firm of First Manhattan Co., a member of the New York Stock Exchange.

C. Charles T. Munger

Charles T. Munger, a Director and a Vice-President of the Company, is and has been for the past five years a general partner in the broker-dealer securities firm of Wheeler, Munger & Co., a member of the Pacific Coast Stock Exchange.

D. Charles F. Heider

Charles F. Heider, a Director of the Company, is and has been since 1970 the President of Chiles, Heider & Co. From 1966 to 1970, Mr. Heider was the Executive Vice-Fresident of First Mid America, - 18 -

DISCLOSURE IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT, IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT. Inc. Each company is a broker-dealer securities firm and a member of the New York Stock Exchange.

E. Roberts M. Coldman

Robert Goldman, a Director and the Preside 1 of the Company, is and a been since July 1, 1966, a partner of the Maryland law firm of Frank, Bernstein, Conaway & Goldman. For more than fifteen years prior thereto, Mr. Goldman had been a partner in the Maryland law firm of Nyburg, Goldman and Walter, which on the said date was marged into the firm of Frank, Bernstein, Conaway & Goldman.

ITEM 13, REMUNIRATION OF DIRECTORS AND OFFICERS.

Name of individual or number of persons in group	Capacities in which Aggregate remuneration was direct received remuneration (a)-
Larry C. Cummings	Theasurer \$ \$ 500.00
All eight Directors and Officers as a group	ູ (ສາ ຈັ້ງ (c) ເ
ITEM 14. OPTIONS GRANU	ED TO MANAGEMENT TO PURCHASE SECURITIES.

None.

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LTEM 15. INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS.

A. Other than the following, there have been no transactions

(a) Subject to the exceptions indicated in note (c) to this Item, this column indicates the aggregate amount of direct remuneration paid by the Company, Associated and Associated's subsidiaries to the person or persons specified, in all capacities, during the Company's fiscal year ended February 3, 1973.

(b) Including Roneld M. Shapiro, Secretary of the Company through March 1, 1972, the effective date of his resignation from that office a

(c) This amount does not include legal fees in the amount of \$8,450.00 which the Company paid during its fiscal year ended February 3, 1973 to the law firm of Frank, Bernstein, Conaway & Goldman, in which Messrs. Goldman and Blumenthal are and were at the time of such payment partners, and in which Ronald M. Shapiro (see note (a) to this Item) was a partner until his withdrawal therefrom on March 31, 1972. Nor does the said amount include legal fees in the amount of \$5,000 owed by the Company to the said firm as of November 30, 1972, and any additional such legal fees incurred by the Company between November 30, 1972 and February 3, 1973, for which amounts the said firm had not billed the Company as of February 3, 1973. Nor does the said amount include the interest of David S. Gottesman, as a partner in First Manhattan Co., in certain commissions paid to First Manhattan Co. by one of Associated's subside aries. See ITEM 15, INTEREST OF MANAGEMENT AND OTHERS IN"CERTAIN TRANSACTIONS.

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since the Deginning of the fiscal year ended February 3, 1973, nor are there any presently proposed transactions, to which the Company, Associated or any of Associated's subsidiables was or is to be a party, in which any Director or Officer of the Company, or any security holder named under section A of Item 11 Hereof, or any relative orspouse of any of the foregoing persons who has the same heme as such person or who is a Director or Officer of the Company or of Associated or any of Associated's subsidiaries, had or is to have a direct or indirect material interest:

(1) During the Company's fiscal year ended February 3, \$1973, Reimurance Corp. of Nebraska (now Columbia) purchased certain securitics traded on the New York Stock Exchange at a purchase price aggregating approximately \$36,600, and sold certain securities for a net sale price of approximately \$2,2001 Those transactions were made through First Manhattan Co., of which David S., Gottesman is a general partner, acting as broker for Reinsurance Corp. of Nebraska. The comminations received by First Manhattan Co. in connection with the said transactions were determined by the application of the prevailing commission rates and totaled approximately \$185.00;

(2) During the Company's fiscal year ended February 3, 1973, Columbia accepted reinsurance contracts from National Indemhity, of which Marren E. Beffett is the Chairman of the Board of Directors, representing premiums written in the approximate amount of \$1,800,000. National Indomnity is paid coding commissions equal to approximately one-half of the standard commissions. (See <u>ITFN 1. BUSINESS.</u>) The commissions paid by Columbia to National Indemnity aggregated approximately \$9,516.24 during the calendar year 1972. (The records of both Companies are kept on a calendar year accrual basis.)

(3) During the Company's fiscal year ended February 3, 1973, the Company paid and/or incurred certain legal fees in connection

"Mr. Benjamin F. Rosner, the President of Associated (but neither an Officer nor a Director of the Company), owns and leases to Associated the land and improvements where Associated operates one of its retail stores.

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with the representation of Company by the law firm of Frank, Bernstein, Conaway & Goldmann, (See Mote (C) to <u>ITEM 13. PERMUNERATION</u> OF DIRECTORS AND OFFICERS.)

B. During the Conjuny's fiscal year ended February 3, 1973, no Director of Officer of the Company or associate of such persons was indebted to the Company, Associated or any of Associated's subsidiaries. C. Other than any payments which may have been made pursuant to the terms of any pension, retirement, savings of similar plan which may have been provided by the Company, Associated or any of Associated's subsidiaries, du ng the Company's fiscal year ended February 3, 1973, there were no transactions, and there is no presently proposed transaction, to which any of the said plans was or is to be a party, in which Gany Director or Officer of the Company, any security holder named under section A of Item 11 hereof, or any relative or spouse thereof or relative of any such spouse who has the same home as any such Director, Officer or security holder or who is a Director or Officer of Associated's subsidiaries, had or is to have a direct or indirect material interest.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized?

DIVERSIFIED LETATIING COMPANY, INC.

By: Robert M. Goldman, President

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ANNUAL REPORT ON FORM 10-K

ITEM 10(a)

FINANCIAL STATEMENTS AND SCHEDULES

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

February 3, 1973 and January 29, 1972

The following consolidated financial statements and schedules of the registrant and its subsidiary and of the registrant (parent company) for the fiscal years 1973 and 1972 are submitted herewith:

Consolidated:

Consolidated Balance Sheet Statement of Consolidated Earnings Statement of Consolidated Earnings Retained in the Business Statement of Consolidated Changes in Financial Position Notes to Consolidated Financial Statements

Parent Company only: Balance Sheet Statement of Earnings Statement of Earnings Retained in the Business

Statement of Changes in Financial Position Notes to Financial Statements

Schedule I - Short-Term Commercial Paper, Marketable Securities and Other Security Investments Schedule III - Investments in Securities of Affiliates Schedule V - Property, Plant and Equipment Schedule VI - Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment

Schedule XVI - Supplementary Income Statement Information

All other schedules (Nos. II, IV, VII, VIII, IX, X, XI, XII, XIII, XIV, XV, XVII, XVIII and XIX) for which provision is made in the applicable regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted. With respect to Schedule XIII, the information applicable to the consolidated subsidiaries has been omitted as they are wholly-owned and the answers to Columns G and H would be "none".

The following financial statements and schedules of the unconsolidated insurance subsidiary for the year 1972 are submitted herewith:

Balance Sheet
Statement of Operations
Statement of Capital Stock and Surplus
Statement of Changes in Financial Position
Notes to Financial Statements
Schedule I - Bonds
Schedule II - Stocks - Other Than Stocks of Affiliates
Schedule V - Summary of Investments in Securities - Other Than Securities of Affiliates
Schedule VI - Investments in Stocks of Affiliates
Schedule VII - Premiums, Losses and Underwriting Expenses
Schedule X - Income from Dividends - Equity in Net Profit of Affiliates

All other schedules (Nos. III, IV, VIII and IX) for which provision is made in the applicable regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted. The information required in Schedule VIII is included in the notes to the financial statements of the insurance subsidiary.

The following exhibits are attached and made a part of this filing:

Exhibit A - Computation of Earnings Per Share Exhibit B - 1972 Annual Report of Blue Chip Stamps Exhibit C - 1972 Annual Report of Berkshire Hathaway, Inc.

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

We have examined the financial statements of Diversified Retailing Company, Inc. (parent company) and the consolidated financial statements of Diversified Retailing Company, Inc. and subsidiary for the years ended February 3, 1973 and January 29, 1972, and the related schedules listed in the accompanying index. Our examinations were 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 Associated Retail Stores, Inc. (Associated), a consolidated subsidiary, for the year ended January 29, 1972, which statements reflect total assets before restatement for the equity method of accounting, constituting 93% of the consolidated assets. These statements were examined by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to amounts included for Associated before the aforementioned restatement, is based solely on the report of the other auditors. We have reviewed the restatement of such financial statements to adopt the equity method of accounting for investments in affiliated companies as described in Notes A and C to the financial statements. Further, the financial statements of Associated's unconsolidated subsidiary and certain affiliated companies used as the basis for recording Associated's equity in net income of those corporations were examined by other auditors whose reports were furnished to us. Our opinion expressed herein, insofar as it relates to the amount of income included for those companies for each of the years ended February 3, 1973 and January 29, 1972 is based solely on the reports of other auditors.

The report of the other auditors on the financial statements of Blue Chip Stamps (Blue Chip), an affiliated company, is qualified with respect to the resolution of pending legal proceedings referred to in Note 11 to the financial statements of Blue Chip, which statements are included as Exhibit B to this annual report on Form 10-K. The investment in Blue Chip is held by Associated and its unconsolidated subsidiary and is carried at cost plus equity in undistributed earnings, which at February 3, 1973 aggregated \$11,834,000.

In our opinion, based upon our examination and the aforementioned reports of other auditors, and subject to the effect if any, on the financial statements resulting from the ultimate outcome of the legal proceedings referred to in the preceding paragraph, the accompanying balance sheets and statements of earnings, earnings retained in the business

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and changes in financial position present fairly the financial position of Diversified Retailing Company, Inc. (parent company) and of Diversified Retailing Company, Inc. and subsidiary at February 3, 1973 and January 29, 1972, and the respective results of their operations, and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for investments in affiliated companies as described in Notes A and C to the financial statements. Further, it is our opinion that Schedules I, III (subject to the effect of the aforementioned legal proceedings), V, VI and XVI present fairly the information set forth therein.

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Baltimore, Maryland April 23, 1973

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To the Board of Directors Associated Retail Stores, Inc.:

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We have examined the consolidated balance sheet of ASSOCIATED RETAIL STORES, INC. and Consolidated Subsidiaries (the Company) as at January 29, 1972 and the related consolidated statements of operations and retained earnings and changes in financial position for the fiscal year (fifty-two weeks) 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 Reinsurance Corp. of Nebraska (RCN), an unconsolidated subsidiary (Note B); such statements were examined by other certified public accountants whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the investment in and equity in earnings of RCN is based solely upon the report of such other accountants. The investment in RCN aggregated 27.9% of consolidated assets at January 29, 1972.

As described in Note C, the Company and RCN have invested an aggregate of \$10,009,626 in Blue Chip Stamps after giving effect to a March 1972 transaction; this amount represents 47.6% of consolidated stockholder's equity at January 29, 1972. We did not examine the consolidated financial statements of Blue Chip Stamps as at March 4, 1972 and for the fiscal year then ended; such statements were examined by other accountants whose report thereon has been furnished to us. Such report is subject to the effect, if any, of certain legal proceedings as to which counsel is not able to predict the ultimate outcome (Note C). Our opinion expressed herein, insofar as it relates to the investments in Blue Chip Stamps included in "Other security investments" and "Investment in Reinsurance Corp. of Nebraska" is based solely upon the report of such other accountants.

In our opinion, based upon our examination and upon the aforementioned reports of the other accountants for RCN and Blue Chip Stamps, subject to the effect, if any of the legal proceedings referred to in the preceding paragraph on the valuation of the investments in Blue Chip Stamps by the Company and RCN, the aforementioned consolidated financial statements, 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 Consolidated Subsidiaries at January 29, 1972 and the consolidated operating results and changes in financial position for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting by RCN for its investigents in marketable securities as described in Note B, which change was approved by the accountants for RCN. - 啊 -

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We have also examined the related Schedules I, IV and XVII, V, VI and XVI of Associated Retail Stores, Inc. and Consolidated Subsidiaries, which do not appear separately in the Form 10-K. In our opinion, Schedules I, V, VI and XVI present fairly the information required to be set forth therein. Schedules IV and XVII, subject to the effect, if any, of the legal proceedings referred to above, also present fairly the information required to be set forth therein.

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CERTIFIED PUBLIC ACCOUNTANTS

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March 17, 1972 New York, New York

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Attention is directed to our supplementary letter dated April 23, 1973, which is made a part hereof.

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To the Board of Directors Associated Retail Stores, Inc.

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On March 17, 1972, we rendered our report on our examination of the consolidated financial statements and supporting schedules as at January 29, 1972 and for the year then ended, as set forth in such report, of Associated Retail Stores, Inc. and Consolidated Subsidiaries. A copy of our report is attached herewith.

You have advised us that the provisions of Accounting Principles Board Opinion No. 18, which became effective for fiscal periods beginning after December 31, 1971, have been applied retroactively to the aforementioned financial statements and schedules examined by us. We have not examined such adjustments to the aforementioned financial statements and schedules and no opinion is expressed by us on such adjustments.

Except for the effect of applying the provisions of Accounting Principles Board Opinion No. 18, we reaffirm our opinion of March 17, 1972 which is contained in the third and fourth paragraphs of our report of that date.

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CERTIFIED PUBLIC ACCOUNTANTS

April 23, 1973

DISCLOSU

CONSOLIDATED BALANCE SHEET

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

	en e	February 3, 1973	January 29, 1972
. I	т. Х		
	ASSETS	9 	÷ .
CURRENT ASSETS			
Cash		\$ 882,020	\$ 874,205
	ercial paper and other marketable		
Accounts receive	It cost, which approximates market	1,495,297	999,278
	entories - Notes A and L	249,212 3,818,520	218,624 4,484,384
Prepaid expenses			181,279
	TOTAL CURRENT ASSETS	<u>74,195</u> 6,519,244	6,757,770
· · · · · · · · · · · · · · · · · · ·			
INVESTMENTS AND OT	•	1	
	aconsolidated subsidiary -	7 516 644	6 - 61 - 100
Notes A, B and	filiated companies -	7,516,244	6,561,400
Notes A, C and		11,259,204	5,352,878
· · · · ·	nvestments - Notes A and M	206,763	3,769,225
Other assets - N		598,111	682,832
		19,580,322	16,366,335
· · · …		_	
PROPERTY, PLANT AN	D EQUIPMENT - at cost, less		
	preciation and amortization of	. :	
\$991,852 and \$1,	331,812 - Notes A, D and L	1,756,340	<u>1,885,693</u>
		\$27,855,906	\$25,009,798
CURRENT LIABILITIE			91 1
Trade and sundry Salaries, wages		\$ 388,027	\$ 610,384
	taxes on income	142,215	160,001
Accrued interest	the second se	261,947 162,008	193,840 157,345
Taxes on income		353,779	206,053
Other current li	abilities	83,889	90,015
	TOTAL CURRENT LIABILITIES	1,391,865	1,417,638
	VEC Name A Court E	210 010	100 71
DEFERRED INCOME IA	XES - Notes A, C and E	143,346	109,718
LONG-TERM DEBT - 1	ess current maturities - Note F	7,842,885	7,791,544
	unamortized excess of carrying		
	sets of subsidiary over		
acquisition cost	- NOTE A	557,315	688,445
	TY - Notes F, G and L		n na star General de la composition de la composi La composition de la c
	oting, par value: \$.0003		
	,333,333-1/3 shares standing: 1,000,000 shares	300	300
Additional paid-		5,999,700	5,999,700
	d in the business	11,920,495	9,002,453
		17,920,495	15,002,453
		Re.	· · · · · · · · · · · · · · · · · · ·
	NTINGENT LIABILITIES -		
Notes D, H, I an			
	in the second		
		\$27,855,006	\$25 000 709
		\$27,855,906	\$25,009,798

See notes to consolidated financial statements.

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STATEMENT OF CONSOLIDATED EARNINGS

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

$B_{\rm eff}$, $B_{\rm eff}$	Fiscal ve	ear ended
	February 3, 1973	January 29, 1972
and the second	(53 weeks)	(52 weeks)
a state to take a larged department caller)	\$38,918,071	\$38,597,747
Net sales (including leased department sales)	25,427,906	25,687,843
Cost of goods sold	13,490,165	12,909,904
Selling, general and administrative expenses	$\frac{11,775,923}{1,714,242}$	$\frac{11,438,302}{1,471,602}$
	1,114,242	1,47 1,000
Other income and (deductions):		19 1
Amortization of excess of net assets of	:	and inc
subsidiaries over acquisition cost - Note A	131,130	131,130
Dividends	20,060	46,507
Interest and financing cost	(687,408)	
Interest income	9,995	28,809
	73,710	188,626
Miscellaneous EARNINGS BEFORE INCOME TAXES, EQUI		
MAKNINGS DEFURE INCOME TAKES, EQUI		
IN EARNINGS OF UNCONSOLIDATED	NTRO	
SUBSIDIARY AND AFFILIATED COMPAN	N1ES 1 0(1 700	1 102 685
AND EXTRAORDINARY ITEMS	1,261,729	1,193,685
i o		· .
Taxes on income:	410,000	372,000
Federal - Notes A and E		245,000
State and local	255,000	
	665,000	617,000
EARNINGS BEFORE EQUITIES IN EARNIN	GS OF	
UNCONSOLIDATED SUBSIDIARY AND		د
AFFILIATED COMPANIES AND		
EXTRAORDINARY ITEMS	596,729	576,685
Equity in earnings of unconsolidated subsidiary	• 2	
Note B	954,844	620,887
Equity in earnings of affiliated companies (net		ne
of deferred income taxes: 1973 - \$83,628;		
or deferred income Lakes. 1975 = 905,020,	1,173,448	429,308
1972 - \$30,243) - Notes A and C		
EARNINGS BEFORE EXTRAORDINARY	11 213 2,823,921	2,020,000
m	· · · · · · · · · · · · · · · · · · ·	
Extraordinary items: Gain on exchange of securities - Note K	193,021	
Gain on exchange of securities - Note R		
Additional income taxes related to sale	· · · · · · · · · · · · · · · · · · ·	(111,000)
of subsidiary - Note E		
NET EAR	RNINGS \$ 2,918,042	\$ 1,515,880
31/23 Hate		
		; <u> </u>
	· · · ·	
Earnings per share:		
Earnings before equities in earnings of		-
unconsolidated subsidiary and affiliated	s .60	\$.58
companies and extraordinary items	•	
Equity in earnings of unconsolidated subsidiar	ry .96	
Equity in earnings of affiliated companies	1.17	· · ·
Extraordinary items	.19	.11)
		2 \$ 1.52
Net earnings "	\$ 2.92	<u>- v</u> ą, <u>- ⊥.94</u> ; ∴ e
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See notes to consolidated financial statements.

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STATEMENT OF CONSOLIDATED EARNINGS RETAINED IN THE BUSINESS

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

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		Fiscal ye	ear ended
	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	February 3, 1973	January 29, 1972
Balance at beginning of year:	· .		
As previously reported	and the second second second	19	\$7,476,355
Adjustment to reflect equity in undista	ibuted	·	
earnings of affiliated companies at			· ·
January 30, 1971 - Note C		i	394,355
As restated	4	\$ 9,002,453	7,870,710
Net earnings for the year 📎		2,918,042	1,515,880
Reversal of equity in unrealized apprecia of marketable securities of unconsolida	ation ated		
insurance subsidiary, less provision for			
income taxes - Note B	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	(<u>384,137</u>
BALANCE A	E END OF YEAR	\$11,920,495	\$9,002,453
	19 - 19 19	· · ·	
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See notes to consolidated financial statements.

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STATEMENT OF CONSOLIDATED CHANGES IN FINANCIAL POSITION

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

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		Fiscal year ended			
		February 3,	January 29,		
		1973	1972		
IRCE OF FUNDS			p		
From operations:		1	0		
Net earnings before extraordinary items		\$2,725,021	\$1,626,880		
Charges (credits) to earnings which did					
not affect working capital:					
Depreciation and amortization	a	176,472	189,236		
Depreciation and amortization	· · · ·	1,0,4,-	,		
Amortization of excess of carrying		$\mathcal{A}_{\mathcal{A}}$	14 		
amount of net assets of subsidiary		(131,130)	(131,130)		
over acquisition costs	b)	(50,000)	25,000		
Deferred income taxes	,		28,280		
Amortization of finance costs	5	28,202	20,200		
Equity in earnings of unconsolidated			((00.007)		
insurance subsidiary		(954,844)	(620,887)		
Equity in earnings of affiliated companie	es o				
in excess of dividends received		(1,125,020)	(376,595)		
Deferred taxes (related to equity in					
earnings of affiliated companies)		83,628	30,243		
TOTAL FROM OPER	ATIONS	752,329	771,027		
Extraordinary items:		n			
Income taxes applicable to extraordinary		P			
gain on exchange of securities		(82,724)			
Additional income taxes related to sale	· 9		II IIII		
			(111,000)		
of subsidiary	$\psi = \hat{x}$	51,341	354, 238		
Proceeds from long-term borrowing	n an	1,827	1.2,083		
Deductions from property, plant and equipment		56,519	a J		
Deciease in other assets	C2	779,292	1,026,348		
· · · · · · · · · · · · · · · · · · ·		113,272			
PLICATION OF FUNDS	0		728,951		
Investment in unconsolidated subsidiary		0/0 000			
Investment in affiliated companies		943,099	282,038		
Additions to property, plant and equipment		48, 946	177,766		
Increase in other security investments		*25 N	54,036		
Increase in other assets			12,373		
		992,045	1,255,164		
$1 \le 1 \le$	-	11			
DECREASE IN WORKING C	APITAL	\$ 212,753	\$ 228,816		

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STATEMENT OF CONSOLIDATED CHANGES IN FINANCIAL POSITION - CONTINUED

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DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

			Fiscal year ended			
	2 2		February 3, 1973		January 29, 1972	
INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL					Ne statistica de la companya de la compa	
Current assets:	Ģ		¥.			
Cash		9 8	7,815	(\$2,	060,287)	
Short-term commercial paper and other marketable securities -	·		496,019		858,278	
Accounts receivable	r		30,588	Ĉ	19,166)	
Merchandise inventories	1	(665,864)	``	666,854	
Prepaid expenses	1 4	i i	107,084)	•	45,951	
richara embennen		· · · · · · · · · · · · · · · · · · ·	238,526)	- essa	508,370)	
Current liabilities:		<u> </u>	<u> </u>	\sim		
Trade and sundry accounts		- (222,357)		191,900	
Salaries, wages and bonuses			17,786)		318	
Taxes other than taxes on income	*i1		68,107	1	21,090)	
Accrued interest	9		4,663	`	15,633	
Taxes on income			147,726	1	204,894)	
Other current liabilities	5. 1	. (6,126)	· ·	91,433)	
	ζ ι -	() (0,120)		169,988)	
Current portion of long-term debt	1. a	7	05 770			
			<u>25,773</u>)		279,554) (
	NET CH	NGE	3212,753	\$	228,816	
орона, конструкция и структи. Н	1	=				

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

February 3, 1973 and January 29, 1972

Note A - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Associated Retail Stores, Inc. (Associated).

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. Intercompany accounts and transactions have been eliminated in consolidation.

Associated's investment in Columbia Insurance Company (formerly Reinsurance Corp. of Nebraska), a wholly-owned unconsolidated insurance subsidiary (Note B), is accounted for using the equity method, whereby the Company recognizes currently in the consolidated statement of operations its interest in the earnings of such subsidiary. Columbia maintains its records on a calendar-year basis in accordance with state insurance regulations.

Merchandise Inventories

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Inventories are priced at the lower of cost or market by use of the retail inventory method except as to warehouse inventories where cost is determined by the first-in, first-out method.

Investment in Affiliated Companies

In compliance with Accounting Principles Board Opinion No. 18 the Company adopted in fiscal 1973 the equity method of accounting for investments in companies in which it has the ability to exercise significant influence through its direct and indirect holdings. (Note C). Under this method, which has been applied retroactively, the Company currently recognizes its equity in the net earnings of such affiliates. In determining the amounts reported as equity in net earnings of affiliated companies provision has been made for the amortization over a forty-year period of the difference between the cost of the Company's investment and the underlying equity in net assets at the dates of acquisition of the various blocks of stock of the affiliated companies. Deferred income taxes have also been provided on the portion of such equity represented by undistributed earnings. In making this computation it has been assumed that the earnings ultimately would be distributed as dividends and the dividends received deductions would be available to offset 85% of the gross dividends.

In the opinion of management the Company does not have the ability to exercise significant influence over certain other security investments, which are accounted for under the cost method.

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DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

February 3, 1973 and January 29, 1972

Note A -(Cont'd)

Property and Equipment

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Expenditures for maintenance, repairs, renewals and betterments are reviewed by management and those items representing improvements to property and equipment are capitalized; other items are charged to current operations. At the time assets are retired or otherwise disposed of, the cost and related allowances for depreciation are eliminated from the asset and allowance accounts and the profit or loss on such disposition is reflected in μ current operations. When assets become fully depreciated the cost and related allowances for depreciation are written off.

Depreciation for financial accounting and income tax purposes is based on the 150% declining balance method as to buildings and substantially on the straight-line method for all other property and equipment.

Federal Income Taxes

The Company, Associated and Columbia file a consolidated federal income tax return. The investment tax credit (not material) is accounted for as a reduction of federal income taxes in the year in which the credit arises (flow-through method).

Financing Costs

Certain costs incurred in connection with the issuance of the 8% Debentures have been capitalized and are being amortized ratably over the stipulated life of the debentures.

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Note B - INVESTMENT IN UNCONSOLIDATED INSURANCE SUBSIDIARY

Associated owns all of the issued and outstanding capital stock of Columbia Insurance Company, which reinsures risks other than life and title. The cost of the investment (\$5,855,389) is comprised of original contributions of cash of \$2,500,000 and marketable securities (at cost) of \$3,355,389.

As of December 31, 1970, marketable securities of Columbia were stated at market value and, accordingly, the change in unrealized appreciation of \$384,137 (net of deferred income taxes) was credited directly to stockholder's equity. In 1971, Columbia changed its method of accounting for marketable securities to the cost basis so as to present its securities investments on the same basis as that of Associated and Diversified. Accordingly, the \$384,137 net change in unrealized appreciation at December 31, 1970 was reversed and is reflected as a direct charge to stockholder's equity during the year ended December 31, 1971.

Note C > INVESTMENT IN AFFILIATED COMPANIES

At February 3, 1973 the Company, Associated and Columbia hold in the aggregate 16% and 9% of the outstanding common stock of Blue Chip Stamps and Berkshire Hathaway, Inc., respectively. In addition certain related persons fown 30% and 36%, respectively, of the outstanding common stock-of these companies. Although disposition of all or any lesser_amount of said common stock of these affiliated companies may be subject to certain restrictions, the aggregate quoted market value of an equivalent number of unrestricted shares at February 3, 1973 exceeds the cost of the aggregate investments of the Company, Associated and * Columbia.

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DIVERSIFIED RETAILING COMPANY, INC. AND SUBSIDIARY

February 3, 1973 and January 29, 1972

Note C - The cost of Associated's investment in Blue Chip (Diversified has no (Cont'd) investment in Blue Chip) exceeded the underlying equity in net assets at the dates of acquisition of the several blocks of Blue Chip stock by \$2,109,025 at February 3, 1973. Blue Chip dividends received by Associated were \$142,056 and \$88,956 for the fiscal years ended February 3, 1973 and January 29, 1972, respectively, and have been applied as a reduction of the investment in the affiliated company pursuant to the change to the equity method of accounting for such investments as described below and in Note A.

> The cost of the Company's and Associated's investments in Berkshire Hathaway, Inc. exceeded the underlying equity infinit assets at the dates of acquisition of the several blocks of stock by \$9,903 at February 3, 1973. Berkshire has paid no dividends during the period of affiliation.

In accordance with Accounting Principles Board Opinion No. 18 the Company, Associated and Columbia in 1973 changed to the equity method (as described in Note A) of accounting for the investments in Blue Chip Stamps and Berkshire Hathaway, Inc. It previously had been the policy of these companies to recognize as income only dividends received within the applicable fiscal year. The effect of this change was to increase earnings before extraordinary items and net earnings by \$1,780,184 (\$1.78 per share) and \$604,633 (\$.60 per share), respectively, for the fiscal years ended February 3, 1973 and January 29, 1972. After provision for applicable income taxes (Note A) the cumulative effect of the change upon prior fiscal years of \$394,355 has been credited to earnings retained in the business as of January 30, 1971.

The 1972 Annual Reports for Blue Chip Stamps and Berkshire Hathaway Inc. are included with this filing as Exhibits B and C, respectively, and should be read in conjunction with the consolidated financial statements.

Note D - PROPERTY AND EQUIPMENT

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Property and equipment are comprised of the following:

Buildings599,37359Building improvements154,88053Leasehold improvements351,80539	y 29, 2
Buildings599,37359Building improvements154,88053Leasehold improvements351,80539Furniture, fixtures ind equipment747,41279Less allowances for depreciation and2,748,1923,21	,722
Building improvements Leasehold improvements Furniture, fixtures and equipment Less allowances for depreciation and	,373
Leasehold improvements 351,805 39 Furniture, fixtures and equipment 747,412 79 2,748,192 3,21 Less allowances for depreciation and 001 852 1 33	,310
Furniture, fixtures and equipment Less allowances for depreciation and 001 852 1 33	,641
Less allowances for depreciation and	,459
	,505
	,812
\$1,756,340 \$1,88	, 6 9 3

Generally, the estimate useful lives used for computing depreciation range from 20 to 33 years for buildings, 4 to 14 years for furniture, fixtures and equipment and the life of the lease for leasehold improvements.

On or about April 2, 1973, Associated, in a condemnation proceeding on one of its properties which was carried at a net book value of approximately \$875,000 at February 3, 1973, received notification of a settlement approximating \$1,350,000. An additional amount of approximately \$135,000 is presently being negotiated and, "in counsel's opinion, will be forthcoming. Associated intends to continue to occupy the premises on a month-to-month basis at an annual rental of \$72,000. Depreciation expense on the condemned property amounted to \$8,000 during the year ended February 3, 1973.

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DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

February 3, 1973 and January 29, 1972

Note E - INCOME TAXES

The Company's consolidated federal income tax returns have been examined by the Internal Revenue Service through February 1, 1969. In management's opinion, there will be no material assessments for subsequent years.

Earnings subject to federal income taxes for the fiscal years ended February 3, 1973 and January 29, 1972 were reduced by approximately \$17,000 and \$40,000, respectively, as a result of the dividends received deduction for dividends received on other security investments.

As of January 29, 1972 the current liability for income taxes had been reduced by \$49,000 due to the benefit of certain premium costs of Columbia Insurance Company which were deductible for income tax purposes but deferred for financial accounting purposes: such amount was classified as deferred federal income taxes in the Associated accounts. During the fiscal year ended February 3, 1973, Columbia, which provides income taxes in its accounts on a separate return basis, recognized deferred taxes in its accounts for such timing difference, and Associated eliminated its provision for such items.

On December 1, 1969 the Company received a non-interest bearing note due February 1, 1971 for \$4,540,000 in partial payment in connection with its sale of the capital stock of Hochschild, Kohn & Co.; Incorporated, one of its then two wholly-owned subsidiaries. In December 1970 the note receivable of \$4,540,000 was pledged as collateral for a note payable to a bank in the same amount. The note payable was paid on February 1, 1971 from the proceeds of the note receivable.

Interest income imputed at a rate of 5% has been recognized for the year ended January 29, 1972 on the above note receivable for income tax purposes only; related income taxes amounting to \$111,000, which has the effect of increasing the loss previously recognized on the sale of this subsidiary, have been reflected as an extraordinary item in the accompanying statement of consolidated earnings for the year ended January 29, 1972.

Note F - LONG-TERM DEBT

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8		February 3,	January 29,
	1	1973	1972
8% Debentures		\$6,600,000	\$6,600,000 c
9% Notes payable		1,242,885	1,191,544
n an	Ċ.	\$7,842,885	\$7,791,544

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. No contingent interest was payable under these provisions during the fiscal years ended February 3, 1973 and January 29, 1972.

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DIVERSIFIED RETAILING COMPANY, INC.

AND SUBSIDIARY

February 3, 1973 and January 29, 1972

Note F - The Debentures are subject to redemption at the option of the Company (Cont'd) at 105.5% of the principal amount of each such Debenture to October 31, 1973 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, 1973. 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.

> The Trust Indenture covering the Debentures contains certain restrictions applicable to the Company relating to net worth, redemption of stock and payment of dividends. At February 3, 1973 earnings retained in the business were not subject to such restrictions.

Notes payable were issued primarily in exchange for common stock of an affiliated company. These notes become due at varying dates from May 1, 1974 to January 4, 1988 and bear interest at a fixed annual rate of 9% payable semi-annually. The notes are also due on the respective payees' demand on or after the expiration of twelve months following the date of death of Warren E. Buffett. The current maturity of these notes is immaterial and has not been separately disclosed in current liabilities.

Interest expense on long-term debt was \$639,000 and \$612,000 for the two years ended February 3, 1973 and January 29, 1972, respectively.

Note G - STOCKHOLDERS' EQUITY

There were no changes in the capital stock and additional paid-in capital accounts during the fiscal years ended February 3, 1973 and January 29, 1972.

At February 3, 1973 earnings retained in the business included \$3,382,000 representing undistributed earnings of affiliated companies and Associated's unconsolidated subsidiary.

Note H - LITIGATION

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

There are Parious other sults and claims pending against Associated which, in management's opinion, will not result in any material liability.

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#### DIVERSIFIED RETAILING COMPANY, INC.

#### AND SUBSIDIARY

#### February 3, 1973 and January 29, 1972

#### Note I - LEASES

Associated and its consolidated subsidiaries lease 68 stores, warehouse facilities and New York offices, under leases expiring at various dates through 1988 which require minimum annual rentals plus, under the terms of certain leases, additional payments for taxes, other expenses and percentage, rentals. The additional charges amounted to approximately \$360,000 for the fiscal year ended February 3, 1973. Minimum annual rentals under existing leases follow:

| Fiscal<br>• year ending in | Minimum Annual<br>Rentals |
|----------------------------|---------------------------|
| 1973                       | \$1,521,000               |
| 1974                       | 1,564,000                 |
| 1975                       | 1,383,000                 |
| 1976                       | 1,129,000                 |
| <b>1977</b> "              | 1,020,000                 |
| 1978                       | 756,000                   |

Associated leases data processing equipment for approximately \$50,000 a year through 1975.

#### Note J - PENSION PLAN

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Associated has a non-contributory trusteed pension plan covering eligible full-time employees. The total pension expense for the fiscal years ended February 3, 1973 and January 29, 1972 was \$65,000 and \$64,000, respectively, which includes amortization of past service liability over a thirty-year period. Associated's policy is to fund pension cost accrued. Participants do not have a vested interest in the plan. The unfunded past service liability at February 3, 1973 was approximately \$117,000.

Note K - EXTRAORDINARY GAIN ON EXCHANGE OF SECURITIES

In March 1972 the Company exchanged certain other securities for 300,000 shares of Blue Chip Stamps common stock with a basis of \$3,861,000. • This transaction was considered as taxable exchange under applicable income tax regulations and the gain on the exchange, after reduction for income taxes of \$82,724, has been shown as an extraordinary gain in the statement of earnings.

Note L - SUPPLEMENTAL NOTE - INVENTORIES

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

| · · · ·    | 54 J    | 3 | 51 1                                                                                                             |
|------------|---------|---|------------------------------------------------------------------------------------------------------------------|
| January 30 | 0, 1971 |   | \$3,817,530                                                                                                      |
| January 29 |         | ` | 4,484,384                                                                                                        |
| February 3 | 3, 1973 |   | 3,818,520                                                                                                        |
| -          | - F     | ۵ | and the second |

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Note M - INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

As disclosed in Item 15, Interest of Management and Others in Certain Transactions, certain stock included in investment in af companies and other security investments was purchased either from or through related parties.

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#### BALANCE SHEET

#### DIVERSIFIED RETAILING COMPANY, INC.

| :                                      | ₩<br>•                                                           |                |                             | February 3,<br>1973                | January 29,<br>1972                       |
|----------------------------------------|------------------------------------------------------------------|----------------|-----------------------------|------------------------------------|-------------------------------------------|
|                                        |                                                                  | ASSETS 0       |                             |                                    | <u>.</u>                                  |
| Cash<br>Due from subsidia              | ry                                                               | · ·            |                             | \$ 83,992<br>21,000                | \$ 84,840<br>21,000                       |
| Investment in aff<br>Investment in sub | iliated company - N<br>sidiary - Notes A,<br>of long-term financ | C and H        | 14<br>1                     | 1,707,532<br>24,357,260<br>359,273 | 1,322,952<br>21,846,505<br><u>387,475</u> |
| 4                                      |                                                                  |                | 49<br>49                    | \$26,529,057                       | \$23,662,772                              |
| Ø                                      |                                                                  | ā (            | G                           |                                    |                                           |
| U III                                  | LIABILITIES AN                                                   | D STOCKHOLDERS | ' EQUITY                    |                                    | н.<br>1                                   |
| Accrued interest<br>Deferred income t  | and other expenses<br>axes - Note A                              | G              |                             | \$    171,610<br>36,752            | \$ 166,839<br>13,491                      |
| 8% Debentures - N<br>9% Notes payable  |                                                                  | .#             | ., <i>18<sup>2</sup>.</i> , | 6,600,000<br>1,242,885             | 6,600,000<br>1,191,544                    |
| Unamortized excess<br>of subsidiary of | s of carrying amou<br>ver acquisition co<br>ity - Notes D, G a   | st – Note A    | ets                         | 557,315                            | 688,445                                   |
| Common Stock -                         | voting, par value<br>3,333,333-1/3 shar                          | \$.0003        | ``` <b>D</b>                |                                    |                                           |
| Issued and ou                          | tstanding: 1,000,                                                | 000 shares     |                             | 300                                | 300                                       |
| Additional paid                        |                                                                  | o b            | ·                           | 5,999,700<br>11,920,495            | 5,999,700<br>9,002,453                    |
| Larnings retair                        | ed in the business                                               | .0<br>6 - A    | е<br>                       | 17,920,495                         | 15,002,453                                |
| т. ж.<br>М                             | - б                                                              |                | с<br>. 62 г                 | \$26,529,057                       | \$23,662,772                              |
|                                        | ал са <sup>н</sup><br>Ка <sub>л</sub>                            | 12 <b>0</b>    | , s                         |                                    |                                           |

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See notes to financial statements.

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#### STATEMENT OF EARNINGS

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#### DIVERSIFIED RETAILING COMPANY, INC.

|                                                 | Fiscal year ended                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                 | February 3, January 29,<br>1973 1972                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                 | (53 weeks) (52 weeks)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Income - imortization of excess of net assets   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| of subsidiary over acquisition cost - Note A    | \$ 131,130 \$ 131,130                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                 | ,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Expenses:                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| General and administrative expenses             | 19,978 20,253                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Interest and financing costs - Note A           | 667,470 640,214                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                 | 687,448 660,467                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| LOSS BEFORE INCOME TAXES, EQUITIES IN EARNINGS  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| OF SUBSIDIARY AND AFFILIATED COMPANY AND        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| EXTRAORDINARY ITEM                              | ( 556,318) ( 529,337)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Federal income tax credit - Note A              | 330,000 317,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| LOSS BEFORE EQUITIES IN EARNINGS OF             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| SUBSIDIARY AND AFFILIATED COMPANY               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                 | ( 226,318) ( 212,337)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| AND EXTRAORDINARY ITEM                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Equity in earnings of subsidiary -              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Notes A, B and C                                | 2,840,255 1,670,845                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Equity in earnings of affiliated company net of |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| deferred income taxes: 1973 - \$23,261;         | and the second sec |
| 1972 - \$12,715 - Notes A and C                 | 304,105 168,372                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| EARNINGS BEFORE EXTRAORDINARY ITEM              | 2,918,042 1,626,880                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Extraordinary item - additional income taxes    | 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| related to sale of subsidiary - Note F          | · · · · · · · · · · · · · · · · · · ·                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| NET EARNINGS                                    | \$2,918,042 \$1,515,880                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Earnings per share:                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Loss before equities in earnings of             | н<br>Н                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| a subsidiant and officient company and          | <u>и</u> ~                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| extraordinary item                              | (\$ .23) (\$ .21)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Equity in earnings of subsidiary                | "2.84                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Equity in earnings of affiliated company        | .31 .17                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Extraordinary item                              | .11)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Net earnings                                    | \$ 2.92 \$ 1.52                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                 | анан талан дээн талаан тала<br>Соозоон талаан талаа                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                                 | é en                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| ₩                                               | a de la companya de la                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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#### STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

#### DIVERSIFIED RETAILING COMPANY, INC.

|                                                                                                                                         | Fiscal y                                                                                                        | ear ended                             |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------|
|                                                                                                                                         | February 3,<br>1973                                                                                             | January 29,<br>1972                   |
| Balance at beginning of year:                                                                                                           |                                                                                                                 | 3 <sup>20</sup>                       |
| As previously reported                                                                                                                  |                                                                                                                 | \$7,476,355                           |
| Adjustment to reflect equity in undistributed                                                                                           | 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - |                                       |
| earnings of affiliated company at                                                                                                       |                                                                                                                 | · · · · · · · · · · · · · · · · · · · |
| January 30, 1971 - Note C                                                                                                               |                                                                                                                 | 394,355                               |
| As restated                                                                                                                             | \$ 9,002,453                                                                                                    | 7,870,710                             |
| Net earnings for the year                                                                                                               | 2,918,042                                                                                                       | 1,515,880                             |
| Reversal of equity in unrealized appreciation<br>of marketable securities of unconsolidated<br>insurance subsidiary, less provision for |                                                                                                                 | an an tha an the state<br>an          |
| income taxes                                                                                                                            | R                                                                                                               | ( <u>384,137</u> )                    |
| BALANCE AT END OF Y                                                                                                                     | EAR \$11,920,495                                                                                                | \$9,002,453                           |
|                                                                                                                                         | ·                                                                                                               |                                       |

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#### STATEMENT OF CHANGES IN FINANCIAL POSITION

#### DIVERSIFIED RETAILING COMPANY, INC.

|                                                                                                                 | C                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                       |                                       |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| ÷                                                                                                               | <i>Ā</i> 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                       | () "                                  |
|                                                                                                                 | ېد<br>بې                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Fices I w                             | ear ended                             |
|                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |
|                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | February 3,                           | January 29,                           |
| and the second                                                                                                  | $H_{\rm eff} = 0$ , $H_{\rm eff} $                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 1973                                  | 1972                                  |
| જેટ્ર <sub>ક</sub> ્રે ે <b>ડ</b>                                                                               | OURCE OF FUNDS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                       |                                       |
| 4691 - SYA                                                                                                      | From operations:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                       |                                       |
|                                                                                                                 | Net earnings for the year before                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                       | 4                                     |
| See and the second s |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | ***                                   | A                                     |
|                                                                                                                 | extraordinary item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$2,918,042                           | \$1,626,880                           |
| N                                                                                                               | Charges (credits) to earnings which did                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                       |                                       |
|                                                                                                                 | not affect working capital:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                       |                                       |
|                                                                                                                 | Amortization of excess of carrying amounts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | н.<br>С                               |                                       |
|                                                                                                                 | of net assets of subsidiary over                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                       |                                       |
|                                                                                                                 | acquisition cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | ( 101 100)                            | 1 101 101                             |
|                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | ( 131,130)                            |                                       |
| ta) .                                                                                                           | Amortization of long-term financing costs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 28,202                                | 28,280                                |
| 2                                                                                                               | Excess of equity in earnings of subsidiary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                       |                                       |
|                                                                                                                 | over dividends received                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | ( 2,510,755)                          | ( 1.355.844                           |
|                                                                                                                 | Equity in earnings of affiliated company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | ( 327,366)                            |                                       |
|                                                                                                                 | Deferred income taxes (applicable to equity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | ( 527,500)                            | ( IOI,00/                             |
|                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |
|                                                                                                                 | in earnings of affiliated company)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 23,261                                | $(\frac{12,71}{18})$                  |
|                                                                                                                 | TOTAL FROM OPERATIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 254                                   | ( 18)                                 |
|                                                                                                                 | Technologie de la della de la della de la della del                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |
|                                                                                                                 | Extraordinary item - additional income taxes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                       |                                       |
|                                                                                                                 | related to sale of subsidiary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <i>``</i>                             | 111,000                               |
|                                                                                                                 | Reduction of investment in subsidiary resulting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |
|                                                                                                                 | from extraordinary item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | r,                                    | ( 111,000                             |
|                                                                                                                 | Proceeds from long-term borrowing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 51,341                                | 350,502                               |
|                                                                                                                 | Decrease in other assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | , , , , , , , , , , , , , , , , , , , |                                       |
|                                                                                                                 | Declease in Other Bosels                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                       | 731                                   |
| 5 af                                                                                                            | у                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 51,595                                | 351,046                               |
| · ,                                                                                                             | autor and a second s                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |
| A.                                                                                                              | PPLICATION OF FUNDS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                       | а.<br>-                               |
| 7.7                                                                                                             | Investment in affiliated company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 57,214                                | 282,038                               |
| 211                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |
|                                                                                                                 | (DECREASE) INCREASE IN WORKING CAPITAL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | (\$ 5,619)                            | \$ 69,008                             |
|                                                                                                                 | (Dechandly Inchandl In WORKING ORFIIRD                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | (9 5,019)                             | y 07,000                              |
|                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |
| 54<br>                                                                                                          | $\phi_{ij} = \phi_{ij} + \phi$ | 1. ku                                 |                                       |
| <u>1</u> 1                                                                                                      | <u>1973</u> <u>1972</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1                                     |                                       |
| II                                                                                                              | NCREASE (DECREASE) IN COMPONENTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                       |                                       |
|                                                                                                                 | OF WORKING CAPITAL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                       | · · · · · · · · · · · · · · · · · · · |
|                                                                                                                 | Current assets:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | a dag                                 |                                       |
| 5.<br>                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | · ·                                   |                                       |
| 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - | Cash (\$ 848) \$84,150                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                       |                                       |
|                                                                                                                 | Due from subsidiary1,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                       |                                       |
|                                                                                                                 | (848) 85,150                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                       |                                       |
|                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |
| 1.1                                                                                                             | Current liability:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                       |                                       |
|                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |
| >                                                                                                               | Accrued interest and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                       |                                       |
|                                                                                                                 | other expenses <u>4,771</u> <u>16,142</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                       |                                       |
| 11                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 11                                    | ан.<br>19                             |
|                                                                                                                 | NET CHANGE (\$5,619) \$69,008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | 11,                                   |
|                                                                                                                 | (45,01) (05,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | (j                                    | 10                                    |
| المرشين المرشق                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | W                                     |                                       |
| 1 all                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | N 2                                   |                                       |
| 11                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                       |                                       |

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See notes to financial statements.

#### NOTES TO FINANCIAL STATEMENTS

#### DIVERSIFIED RETAILING COMPANY, INC.

#### February 3, 1973 and January 29, 1972

#### Note A - SIGNIFICANT ACCOUNTING POLICIES

#### Investment in Subsidiary

The investment in the Company's wholly-owned subsidiary, Associated Retail Stores, Inc. (Associated) (Note B), is accounted for under the equity method. 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.

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#### Investment in Affiliated Companies

In compliance with Accounting Principles Board Opinion No. 18 the Company adopted in fiscal 1973 the equity method of accounting for investments in companies in which it has the ability to exercise significant influence through its direct and indirect holdings (Note C). Under this method, which has been applied retroactively, the Company currently recognizes its equity in the net earnings of such affiliates. In determining the amounts reported as equity in earnings of affiliated companies provision has been made for the amortization over a forty-year period of the difference between the cost of the Company's investment and the underlying equity in net assets at the dates of acquisition of the various blocks of stock of the affiliated companies. Deferred income taxes have also been provided on the portion of such equity represented by undistributed earnings. In making this computation it has been assumed that the earnings ultimately would be distributed as dividends and dividends received deductions would be available to offset 85% of the gross dividend.

#### Financing Costs

Certain costs incurred in connection with the issuance of 8% debentures have been capitalized and are being amortized ratably over the stipulated life of the debentures.

#### Federal Income Taxes

The Company's policy of filing a consolidated federal income tax return with Associated and Associated's wholly-owned insurance subsidiary, Columbia Insurance Company (formerly Reinsurance Corp. of Nebraska), has resulted in tax credits to Diversified. The investment tax credit (not material) is accounted for as a reduction of federal income taxes in the year in which the credit arises (flow-through method).

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#### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### DIVERSIFIED RETAILING COMPANY, INC.

February 3, 1973 and January 29, 1972

#### Note B - INVESTMENT IN SUBSIDIARY

Associated holds common stock of certain affiliated companies (Note C). These investments, as well as Associated's investment in Columbia, are accounted for under the equity method in Associated's statement of earnings, which is summarized below:

|                                                    | and the second se | Fiscal ye                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | earaonded                                 |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| х                                                  | e (Q *                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | February 3,<br>1973                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | January 29, 👦                             |
| Earnings before equity :<br>of unconsolidated subs |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | e de la companya de l |                                           |
| affiliated <sup>()</sup> companies                 | Ĵ,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | \$ 823,047                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | \$ 789,022                                |
| Equity in earnings of un subsidiary                | ht .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | °<br>954,844                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 620,887                                   |
| Equity in earnings of a companies                  | ffiliated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | °, <sup>°</sup> 869,343 <sup>°</sup> ,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 260,936                                   |
| Extraordinary gain                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <u> </u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 0<br>~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~ |
|                                                    | NET EARNINGS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$2,840,255                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | \$1,670,845                               |

Associated's balance sheet at February 3, 1973 included a \$7,516,000 investment in unconsolidated subsidiary (Columbia) and a \$9,552,000 investment in affiliated companies (Note C) in the \$26,705,000 total assets. Comparable figures for January 29, 1972 were \$6,561,000 and \$4,030,000 of total assets of \$23,214,000. Associated's investment in affiliated companies included \$2,267,000 representing the excess of the cost over the underlying equity in net assets at the dates of acquisition of the various blocks of stock.

#### Note C - INVESTMENT IN AFFILIATED COMPANIES

At February 3, 1973 the Company, Associated and Columbia hold in the ggregate 16% and 9% of the outstanding common stock of Blue Chip Stamps and Berkshire Hathaway Inc., respectively. In addition certain related persons own 30% and 36%, respectively, of the outstanding common stock of these companies. Although disposition of all or any lesser amount of said common stock of these affiliated companies may be subject to certain restrictions, the aggregate quoted market value of an equivalent number of unrestricted shares at February 3, 1973 exceeds the cost of the aggregate investments of the Company; Associated and Columbia.

The underlying equity in net assets at the dates of the Company's acquisition of the several blocks of Berkshire stock exceeded the Company's cost by \$148,118. Berkshire has paid no dividends during the period of the Company's affiliation.

In accordance with Accounting Principles Board Opinion No. 18 the Company, Associated and Columbia in 1973 changed to the equity method (as described in Note A) of accounting for the investments in Blue Chip Stamps and Berkshire Hathaway Inc. It previously has been the policy of these companies to recognize as income only dividends received within the applicable fiscal year. The effect of this change was to increase earnings before extraordinary items and net earnings by \$1,780,184 (\$1.78 per share) and \$604,633 (\$.60 per share), respectively for the fiscal years ended February 3, 1973 and January 29, 1972. After provision for applicable income taxes (Note A) the cumulative effect of the change upon prior fiscal years of \$394,355 has been credited to earnings retained in the business as of January 30, 1971.

The 1972 Annual Reports for Blue Chip Stamps and Berkshire Hathaway Inc. are included with this filing as Exhibits B and C, respectively, and should be read in conjunction with the financial statements.

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#### NOTES TO FINANCIAL STATEMENTS - CONTINUED @

#### DIVERSIFIED RETAILING COMPANY, INC.

#### February 3, 1973 and January 29, 1972

#### Note D - 8% DEBENTURES

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 as 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. No contingent interest was incurred under these provisions for the fiscal years ended February 3, 1973 and o January 29, 1972.

The Debentures are subject to redemption at the option of the Company at 105.5% of the principal amount of each such Debenture to October 31, 1972 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, 1973. 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.

The Trust Indenture covering the Debentures contains certain restrictions relating to net worth, redemption of stock and payment of dividends. At February 3, 1973 earnings retained in the business were not subject to such restrictions.

Note E - 9% NOTES PANABLE

The notes payable were issued in exchange for common stock of an affiliated company. These notes become due at varying dates from May 1, 1974 to January 4, 1988 and bear interest at a fixed annual rate of 9% payable semi-annually. The notes are also due on the respective payees' demand on or after the expiration of twelve months following the date of death of Warren E. Buffett. The current maturity of these notes is immaterial and has not been separately disclosed in current liabilities.

#### Note F .- INCOME TAXES

The Company's consolidated federal income tax returns have been examined by the Internal Revenue Service through February 1, 1969. In management's opinion, there will be no material assessments for subsequent years.

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#### NOTES TO FINANCIAL STATEMENTS - CONTINUED

#### DIVERSIFIED RETAILING COMPANY, INC.

#### February 3, 1973 and January 29, 1972

Note F - On December 1, 1969 the Company received a non-interest bearing note (Cont'd) due February 1, 1971 for \$4,540,000 in partial payment in connection with its sale of the capital stock of Hochschild, Kohn & Co., Incorporated, one of its then two wholly-owned subsidiaries. In December 1970 the note receivable of \$4,540,000 was pledged as collateral for a note payable to a bank in the same amount. The note payable was paid on February 1, 1971 from the proceeds of the note receivable.

Interest income imputed at a rate of 5% has been recognized for the year ended January 29, 1972 on the above note receivable for income tax purposes only; related income taxes amounting to \$111,000, which has the effect of increasing the loss previously recognized on the sale of this subsidiary, have been reflected as an extraordinary item in the accompanying statement of earnings for the year ended January 29, 1972:

#### Note G - STOCKHOLDERS' EQUITY

There were no changes in the capital stock and additional paid-in capital accounts during the fiscal years ended February 3, 1973 and January 29, 1972.

At February 3, 1973 earnings retained in the business included \$6,285,000 representing undistributed earnings of subsidiary and affiliated company.

Note H - LITIGATION

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

There are various other suits and claims pending against Associated which, in management's opinion, will not result in any material liability.

#### Note I - SUBSEQUENT EVENTS

On or about April 2, 1973, Associated, in a condemnation proceeding on % one of its properties which was carried at a net book value of approximately \$875,000 at February 3, 1973, received notification of a settlement approximating \$1,350,060. An additional amount of approximately \$135,000 is presently being negotiated and, in counsel's opinion, will be forthcoming. Associated intends to continue to occupy the premises on a month-to-month basis at an annual rental of \$72,000. Depreciation expense on the condemned property amounted to \$8,000 during the year ended February 3, 1973.

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SCHEDULE I - SHORT-TERM COMMERCIAL PAPER, MARKETABLE SECURITIES AND OTHER SECURITY INVESTMENTS DIVERSIFIED RETAILING COMPANY, INC. AND SUBSIDIARY February 3, 1973

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|          | 0                          | та<br>9     |               | COL. A             | 4<br>14<br>15<br>16 | 2                                         | 3                  |          |
|----------|----------------------------|-------------|---------------|--------------------|---------------------|-------------------------------------------|--------------------|----------|
| ·        | 0                          | H           | <u></u>       | 2 <sup>- 2</sup> 0 |                     | с. <sub>1</sub> .                         | Ċ                  |          |
|          |                            | 14          | NAME OF       | ISSNED AND         | TITLE               |                                           | ň                  |          |
|          |                            | o           | 6             |                    | 19 0 2              |                                           |                    |          |
|          | 4                          |             | Con Con       |                    | St. ar              | <b>3</b>                                  |                    | <b>1</b> |
| G        | Short-term co              | mmercial pa | per:          | 60E% Jun           | March 1             | 1.073                                     | s-3) - '<br>⊃      |          |
| 444<br>4 | Clark Equip<br>Harris Bank | ment Credit | 5.5% di       | ie March 1         | . 1973⊚ ລ           | 0                                         | 9 <sup>191</sup> 6 | <i></i>  |
| 11       | Internation                | al Harveste | r Co., 5      | 5.5%, due          | February 1          | 5, 1973                                   | 5                  |          |
|          | •**<br>. •                 | × ×         |               | ll<br>i            | A 10 41             | ,                                         | Y                  |          |
| ŋ        |                            | 0           | $\frac{1}{2}$ | ¶<br>              | 3 Ø                 | A                                         | Ś                  | 'n       |
| 13<br>   | ••<br>•                    | ų -<br>201  |               | 1                  |                     | 1999 - 1999<br>1999 - 1999<br>1999 - 1999 | æ,                 |          |
| ï        | Other securit              | y investmer | nt:           | *<br>              | ©.                  | · .                                       |                    |          |
|          | New Yorker                 | Magazine, 1 | Inc. Com      | non Stock>         | (1)                 | ) -                                       | 6                  |          |

(1) Additional shares of this company are owned by Columbia Insurance Company (unconsolidated subsidiary). See Schedule II for Columbia.

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

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| 1                | COL. B                                                                 | °COL. C                                                     | COL. D                                                                  |
|------------------|------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------|
|                  | Number of Shares or<br>Units—Prizcipal<br>Amount of Bonds<br>and Notes | Amount at Which<br>Carried in<br>Balance Sheet<br>(at cost) | Value Based on<br>Current Market<br>Quotations at Balance<br>Sheet Date |
|                  |                                                                        |                                                             |                                                                         |
| 8                | \$500,000<br>500,000<br>500,000                                        | \$ 498,047<br>498,090<br><u>499,160</u>                     | \$ 498,047<br>498,090<br><u>499,160</u>                                 |
| 2<br>7<br>16 - 1 |                                                                        | \$1,495,297                                                 | \$1,495,297                                                             |
| а<br>а           | ана страна<br>10 г.                                                    | <u></u>                                                     |                                                                         |
| ŀ.               | ُ <b>5,731</b> گ                                                       | \$ 206,763                                                  | \$ 272,223                                                              |
|                  |                                                                        | 0<br>0                                                      |                                                                         |

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SCHEDULE III - INVESTMENTS IN SECURITIES OF AFFILIATES DIVERSIFIED RETAILING COMPANY, INC.

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|                                                                                                             |                                                                                  | AND SUBSIDIARY                                                                                                | 0,<br>                                                                                                    |                                                                                                     | ۵ <sup>3</sup>                                                                                  |
|-------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| G COL. A                                                                                                    | COL. B                                                                           |                                                                                                               | COL® D                                                                                                    | COL. E                                                                                              | COL F                                                                                           |
|                                                                                                             | BALANCE AT BEGINNING<br>OF PERIOD                                                | ADDITIONS                                                                                                     | DEDUCTIONS                                                                                                |                                                                                                     | Dividends                                                                                       |
|                                                                                                             | (1)<br>Number of Shares<br>or Units<br>Principal Amount<br>of Bonds and<br>Notes | (1) (2)<br>Equity Taken Up<br>in Earnings<br>(Losses) of<br>Affiliates and<br>Other persons for<br>the Period | (1) (2)<br>Distribution of<br>Earnings By Other<br>Persons in Which<br>Earnings (Losses)<br>Were Taken Up | (1) (2)<br>Number of Shared<br>or Units.<br>Principal Amount in<br>Dollars<br>of Bonds and<br>Notes | Received During<br>the Period from<br>Investments No<br>Accounted for b<br>the Equity<br>Method |
| Year ended February 3, 1973:<br>Unconsolidated subsidiary:<br>Columbia Insurance<br>Company<br>Common Stock | 5,000 \$6,561,400                                                                | \$ 954,844                                                                                                    | ο<br>ο<br>ο<br>ο<br>ο<br>ο<br>ο<br>ο<br>ο<br>ο<br>ο<br>ο<br>ο<br>ο                                        | 5,000 \$ 7,516,244                                                                                  |                                                                                                 |
| Affiliates (4) (5):<br>Blue Chip Stamps<br>Common Stock                                                     | 291,900 \$3,861,318                                                              | \$ 777,578 \$3,838,207 (                                                                                      | 2) \$142,056                                                                                              | 591,900 \$ 8,335,047                                                                                |                                                                                                 |
| Berkshire Hathaway, Inc                                                                                     | 29,064 <u>1,491,560</u>                                                          | 489,498 943,099(                                                                                              | 3) °                                                                                                      | 41, 745 <u>2, 924, 157</u>                                                                          | · · · · · · · · · · · · · · · · · · ·                                                           |
|                                                                                                             | \$5,352,878                                                                      | \$1,267,076(1) \$4,781,306                                                                                    | \$142,056                                                                                                 | e \$11,259,204                                                                                      |                                                                                                 |

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| SCHEDULE | II         | Č - | INVESTMENTS | IN   | SECURITI | ES. OF | AFFILIA  |
|----------|------------|-----|-------------|------|----------|--------|----------|
|          | а <b>Г</b> | 9   | 5 m         | 1.72 | -11      |        | Card -   |
| 0        |            |     | DIVERSIFIE  | D RI | TAILING  | COMPAI | NY. INC. |

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100 AND SUBSIDIARY COL. C COL. B COL. A BALANCE AT BEGINNING OF PERIOD ADDITIONS D (2) (1) (2) . (1) (1) Equity Taken Up, in Easnings (Losses) of Affiliates and Other persons for the Period NAME OF ISSUER AND Distribution Earnings B Persons in Wi Earnings (Los Were Taken DESCRIPTION OF INVESTMENT Number of Shares or Units. Principal Amount of Bonds and Notes Amount in Dollars Other ° (j сų: Consolidated: Year ended January 29, 1972: Unconsolidated subsidiary: Columbia Insurance Company \$2,386,701(4) 60,920(5) \$2,447,621 \$3,877,029 \$620,887 5,000 Common Stock) Affiliates (4) (5): Blue Chip Stamps \$ 347,293(5) 282,038(7) \$4,979,039 \$256,692 396,900

Common Stock 15,617(5) Berkshire Hathaway, Inc. Common Stock 297,655 985,046 208,859 24, 515 644,948 \$465,551(1) 085 65 04

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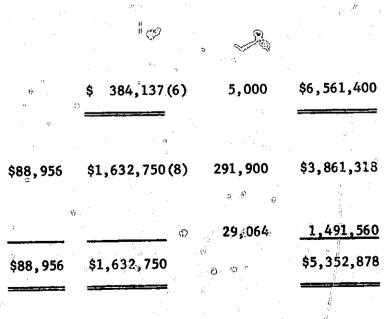
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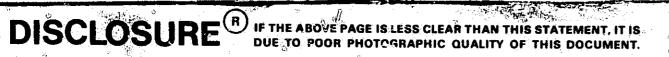
| COI                                   | 2, D   | COL.                                                                       | E · · ·              | COL. F                                                |
|---------------------------------------|--------|----------------------------------------------------------------------------|----------------------|-------------------------------------------------------|
| EDUC                                  | CTIONS | BALANCE AT EN                                                              | D OF PERIOD          | Dividends                                             |
|                                       | (2),   | (1)                                                                        | (2)<br>*             | Received During<br>the Period from<br>Investments Not |
| n of<br>By<br>Vhich<br>osses)<br>n Up | Other  | Number of Shares<br>or Units.<br>Principal Amount<br>of Bonds and<br>Notes | Amount in<br>Dollars | Accounted for by<br>the Equity<br>Method              |



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SCHEDULE III - INVESTMENTS IN SECURITIES OF A DIVERSIFIED RETAILING COMPANY (PARENT COMPANY ONLY)

COL. B COL. C COL. A 1 BALANCE AT BEGINNING OF PERIOD ADDITIONS (2) े (2) (1)(1) Equity Taken Up in Earnings (Losses) of Affiliates and Other persons for the Period NAME OF ISSUER AND DESCRIPTION OF INVESTMENT Number of Shares or Units. Principal Amount of Bonds and Notes Amount in Dollars Other Year ended February 3, 1973: Associated Retail Stores, Inc. \$21,846,505 \$2,840,255 453,000 Common Stock Affiliate (4) (5): Berkshire Hathaway, Inc. \$ 1,322,952 \$ 327,366(1) \$57,214(9) 25,624 Common Stock



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|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------|------|--|
| ))<br>                                                                                                            | 0                                                                                 |                                  |                                                                                                                |      |  |
| DF AFFILIATES - CONTINUED<br>PANY, INC.<br>LY)<br>COL. D                                                          | COL.                                                                              |                                  | O<br>COL. F                                                                                                    |      |  |
| DEDUCTIONS<br>(1) (2)<br>Distribution of<br>Earnings By<br>Persons in Which<br>Earnings (Losses)<br>Were Taken Up | (1)<br>Number of Shares<br>or Units.<br>Principal Amount<br>of Bonds and<br>Notes | 0 - Sec.                         | Dividends<br>Received During<br>the Period from<br>Investments Not<br>Accounted for by<br>the Equity<br>Method |      |  |
| \$329,500                                                                                                         |                                                                                   | \$24,357,260<br><br>\$ 1,707,532 |                                                                                                                |      |  |
| an a                                                                          | 2                                                                                 |                                  |                                                                                                                | 24 A |  |

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| CHEDULE      | III | <br>INVESTMENTS | IN SECURIT | IES | OF AF | FILIAT |
|--------------|-----|-----------------|------------|-----|-------|--------|
| З <b>у</b> . |     | DIVERSIFIED     | RETAILING  | ço  | PANY, | INC.   |

(PARENT COMPANY ONLY)

| COL. A                                                                          | COL.                                                                       | В                    | COL                                                                                                | " C                                   | COL.                                                                                     | D                                      | COL                                                                        | . E                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | COL. F                                               |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------|----------------------------------------------------------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
|                                                                                 | BALANCE AT I<br>OF PER                                                     | BEGINNING            | ADE                                                                                                | DITIONS                               | DEDUC'                                                                                   | rions                                  | BALANCE AT E                                                               | ND OF PERIOD                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Dividenda                                            |
|                                                                                 | (1)                                                                        | (2)                  | (1)                                                                                                | (2)                                   | (1)                                                                                      | (2)                                    | (1)                                                                        | (2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Received Durin<br>the Period from<br>Investments No. |
| NAME OF ISSUER AND<br>DESCRIPTION OF INVESTMENT                                 | Number of Shares<br>or Units.<br>Principal Amount<br>of Bonds and<br>Notes | Amount in<br>Dollars | Equity Taken Up<br>in Earnings<br>(Losses) of<br>Affiliates and<br>Other persons for<br>the Period | Other                                 | Distribution of<br>Earnings By<br>Persons in Which<br>Earnings (Losses)<br>Were Taken Up | Other #                                | Number of Shares<br>or Units.<br>Principal Amount<br>of Bonds and<br>Notes | Amount in<br>Dollara                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Accounted for t<br>the Equity<br>Method 6            |
|                                                                                 |                                                                            | <u></u>              | •,                                                                                                 | · · · · · · · · · · · · · · · · · · · | · · · · · · · · · · · · · · · · · · ·                                                    | ······································ |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                      |
| rent company only:<br>Year ended January 29, 1972:<br>Associated Retail Stores, |                                                                            |                      |                                                                                                    |                                       | и<br>                                                                                    |                                        | с<br>(5)<br>ф<br>(2)                                                       | б.<br>Х                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                      |
| Inc.<br>Common Stock                                                            | 453,000                                                                    | \$20,603,896         | \$1,670,845                                                                                        | \$381,900(5)                          | \$315,000                                                                                | \$384,136(6)<br><u>111,000</u> (10)    | 453,000 °                                                                  | \$21,846,505                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                      |
|                                                                                 | <b>4</b>                                                                   |                      | · · · · · · · · · · · · · · · · · · ·                                                              |                                       | *                                                                                        | \$495,136                              | с.<br>С.                                                                   | and the second sec |                                                      |
|                                                                                 |                                                                            |                      |                                                                                                    |                                       |                                                                                          |                                        |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                      |
|                                                                                 | an a                                   |                      |                                                                                                    | ÷                                     | 1                                                                                        |                                        |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                      |
| ffiliate:<br>Berkshire <b>Hathaway, Inc.</b>                                    | · · · · · · · · · · · · · · · · · · ·                                      |                      |                                                                                                    | \$282,038(7)<br><u>13,231</u> (5)     |                                                                                          | • 3                                    | به معنی معنی معنی معنی معنی معنی معنی معنی                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | n an             |

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(1) Reconciliation to statement of operations:

|                                               | ·)  | Consolia              | lated                      | <u>Parent</u>       | Company                    |
|-----------------------------------------------|-----|-----------------------|----------------------------|---------------------|----------------------------|
| Equity in earnings<br>Applicable income taxes | • • | \$1,267,076<br>93,628 | \$465,551<br><u>36,243</u> | \$327,366<br>23,261 | \$181,087<br><u>12,715</u> |
|                                               |     | \$1,173,448           | \$429,308                  | \$304,105           | \$168,372                  |
|                                               | ×   |                       | ة<br>                      |                     |                            |

(2) Fair value of 300,000 shares of Blue Chip Stamps, Inc. common stock received in exchange for 270,584 shares of Thriftimart, In^. common stock (cost \$3,562,482) included in other security investments.

(3) Acquisition of 12,681 shares at cost.

(4) Capital contribution (see note (8) below).

(5) Cumulative effect representing increase in equity in unremitted earnings resulting from change to equity method of accounting for investments in affiliated companies. Reconciliation to statement of earnings retained and used in the business:

|                                                                    | Consolidated             | Parent Company          |
|--------------------------------------------------------------------|--------------------------|-------------------------|
| Equity in unremitted earnings for years prior to January 29, 1972: |                          |                         |
| Unconsolidated subsidiary/Associated                               | \$ 60,920                | \$381,900               |
| Blue Chip Stamps<br>Berkshire Hathaway, Inc.                       | 347,293<br><u>15,617</u> | <u>13,231</u>           |
| Less applicable income taxes                                       | 423,830<br>29,475        | <b>395,131</b><br>776   |
|                                                                    | \$394,355                | \$394 <sup>°,</sup> 355 |
|                                                                    |                          |                         |

(6) Reversal of equity in unrealized appreciation of marketable securities of unconsolidated insurance subsidiary of Associated Retail Stores, Inc., less provision for income taxes.

- (7) Acquisition of 4,549 shares at cost.
- (8) Cost of 105,000 shares contributed to unconsolidated insurance subsidiary as additional paid-in capital.
- (9) Acquisition of 768 shares at cost.

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(10) Additional income taxes related to sale of subsidiary - proceeds of sale originally credited to additional paid-in capital of Associated.

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### SCHEDULE V-PROPERTY, PLANT, AND EQUIPMENT DIVERSIFIED RETAILING COMPANY, INC.

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#### AND SUBSIDIARY

| COL. A                                                                                                | 6   | <u>-</u> | COL. B                                                              | COL. C                                           |    |
|-------------------------------------------------------------------------------------------------------|-----|----------|---------------------------------------------------------------------|--------------------------------------------------|----|
| CLASSIFICATIO                                                                                         | DN. | · .      | Balance at Beginning<br>of Period                                   | Additions at Cost                                |    |
| Year ended February 3, 1973:<br>Land<br>Buildings<br>Fixtures and equipment<br>Leasehold improvements | 43  |          | \$ 894,722<br>1,133,683<br>791,459<br><u>397,641</u><br>\$3,217,505 | \$ 3,468<br>34,222<br><u>11,256</u><br>\$ 48,946 |    |
| Year ended January 29, 1972:<br>Land<br>Buildings<br>Fixtures and equipment<br>Leasehold improvements |     |          | \$ 894,722<br>1,133,683<br>718,955<br><u>347,542</u>                | \$105,611<br>72,155                              | 32 |
|                                                                                                       |     |          | \$3,094,902                                                         | \$177,766                                        | 8  |

(1) Includes fully depreciated assets written-off of \$509,911 and \$32,874 for the years ended February 3, 1973 and January 29, 1972, respectively.

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

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| \$382,898<br>78,269<br>57,092 | · · · · ·                                                                                                                                                                                                                                                                                                                                              | \$ 894,722<br>754,253<br>747,412<br>351,805          |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| \$518,259(1)                  |                                                                                                                                                                                                                                                                                                                                                        | \$2,748,192                                          |
| \$ 33,107<br>22,056           | ан<br>1920<br>1920<br>1940<br>1940<br>1940<br>1940<br>1940<br>1940<br>1940<br>194                                                                                                                                                                                                                                                                      | \$ 894,722<br>1,133,683<br>791,459<br><u>397,641</u> |
| \$ 55,163(1)                  | n an an Arrange an Arr<br>Arrange an Arrange an Ar<br>Arrange an Arrange an Ar | \$3,217,505                                          |

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|--------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------|
| Х <sup></sup>                                          |                                                     |                                                    |
| COL D                                                  | COL. E                                              | COL. F                                             |
| Retirements<br>or Sales                                | Other Changes-<br>Debit and/or Credit*-<br>Describe | Balance at Close<br>of Period                      |
| \$382,898<br>78,269<br><u>57,092</u>                   |                                                     | \$ 894,722<br>754,253<br>747,412<br><u>351,805</u> |
| \$518,259(1)                                           | #<br>                                               | \$2,748,192                                        |
|                                                        |                                                     | ······                                             |

## SCHEDULE VI-ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

#### DIVERSIFIED RETAILING COMPANY, INC.

#### AND SUBSIDIARY

| <b>N</b>                                                                                       |                                                 |                                                                             | 1                                                    |                                        | R 5 9                                          |
|------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------|------------------------------------------------|
| COL, A                                                                                         | COL. B                                          | COL. C                                                                      | COL. D                                               | COL. E                                 | COL. F                                         |
| DESCRIPTION                                                                                    | Balance at Beginning<br>of Period               | Additions Charged to<br>Gosts and Expenses                                  | Retirements,                                         | Other Changes—Add<br>(Deduct)—Describe | Balance at<br>End of Period                    |
| Year ended February 3, 1973:<br>Buildings<br>Furniture and equipment<br>Leasehold improvements | \$ 703,611<br>423,693<br>204,508<br>\$1,331,812 | \$ 27,355<br>91,808<br>57,309<br>\$176,472                                  | \$382,898<br>76,743<br><u>56,791</u><br>\$516,432(1) |                                        | \$ 348,068<br>438,758<br>205,026<br>\$ 991,852 |
| Year ended January 29, 1972:<br>Buildings<br>Furniture and equipment<br>Leasehold improvements | \$ 658,607<br>361,236<br><u>165,813</u>         | \$ 45,004<br>89,903<br><u>54,329</u>                                        | \$ 27,446<br>15,634                                  |                                        | \$ 703,611<br>423,693<br>204,508               |
|                                                                                                | \$1,185,656                                     | \$189,236                                                                   | \$ 43,080(1)                                         |                                        | \$1,331,812                                    |
|                                                                                                |                                                 | марана (р. 1997)<br>1997 — Прила Парана (р. 1997)<br>1997 — Прила (р. 1997) | ų.<br>Natis                                          |                                        |                                                |

(1) See note on Schedule V.

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

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### SCHEDULE XVI-SUPPLEMENTARY INCOME STATEMENT INFORMATION

### DIVERSIFIED RETAILING COMPANY, INC.

#### AND SUBSIDIARY

|                                                                                                                               | COL. A                                                                                                          |                                                                                                                 |                                                                                                                | ()<br>()       | COL. B               |       |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------|----------------------|-------|
| <u>ала - алары-талары таларын</u> таларын таларын талары талары талары талары талары талары талары талары талары талар<br>- С | IT'EM                                                                                                           | anala manana manana manana manana any ana any ana any any any any an                                            | and a second | Char           | ged to Costs and Exp | enses |
|                                                                                                                               | <u></u>                                                                                                         |                                                                                                                 | í                                                                                                              | Q.             |                      |       |
| ear ended Feb<br>Maintenance                                                                                                  | ruary 3, 1973:                                                                                                  |                                                                                                                 |                                                                                                                |                | \$ 421,521           |       |
| Danmontarion                                                                                                                  | and repairs and amortization                                                                                    |                                                                                                                 |                                                                                                                |                | 176,472              |       |
| Deprediation                                                                                                                  | and anorarsation                                                                                                |                                                                                                                 |                                                                                                                | л <sup>.</sup> |                      |       |
| Taxes other                                                                                                                   | than taxes on income:                                                                                           | 4                                                                                                               | 8                                                                                                              | 1999 - A.      |                      |       |
| Real estat                                                                                                                    | :e                                                                                                              |                                                                                                                 |                                                                                                                |                | 203,622              |       |
| State and                                                                                                                     | local                                                                                                           |                                                                                                                 |                                                                                                                |                | 124,904              |       |
| Payro11                                                                                                                       |                                                                                                                 |                                                                                                                 |                                                                                                                |                | 410,531              | ų,    |
|                                                                                                                               | N                                                                                                               | 6                                                                                                               | TOTAL                                                                                                          | TAXES          | 739,057              |       |
|                                                                                                                               | ind service contract fo                                                                                         | 268                                                                                                             |                                                                                                                |                | None                 | 12    |
| Rentals                                                                                                                       | in a second s |                                                                                                                 | -00                                                                                                            |                | 1,771,996            | 1.1.1 |
| Royalties                                                                                                                     |                                                                                                                 |                                                                                                                 |                                                                                                                |                | None                 |       |
| Advertising                                                                                                                   |                                                                                                                 | :                                                                                                               |                                                                                                                | 14             | 97,621<br>None       | Ξ.    |
| Research and                                                                                                                  | l development                                                                                                   | 1 A. C                                                                                                          | 6                                                                                                              |                | None                 |       |
| 4. <b>4 W</b> .                                                                                                               |                                                                                                                 |                                                                                                                 |                                                                                                                |                |                      |       |
|                                                                                                                               | uary 29, 1972:                                                                                                  |                                                                                                                 |                                                                                                                |                | \$ 372,315           |       |
| Maintenance                                                                                                                   |                                                                                                                 | ,                                                                                                               | · · · ·                                                                                                        |                | 189,236              | 10    |
| Depreciation                                                                                                                  | n and amortization                                                                                              | · .                                                                                                             |                                                                                                                |                | 100,100              |       |
| Taxos other                                                                                                                   | than taxes on income:                                                                                           |                                                                                                                 | .9                                                                                                             |                |                      |       |
| Real estat                                                                                                                    |                                                                                                                 |                                                                                                                 |                                                                                                                |                | 149,652              |       |
| State and                                                                                                                     |                                                                                                                 |                                                                                                                 |                                                                                                                | н.<br>- С      | 123,430              |       |
| Payroll                                                                                                                       |                                                                                                                 |                                                                                                                 |                                                                                                                |                | 376,901              |       |
|                                                                                                                               |                                                                                                                 |                                                                                                                 | TOTAL                                                                                                          | TAXES          | 649, 983             |       |
| Management a                                                                                                                  | and service contract f                                                                                          | ees                                                                                                             |                                                                                                                |                | None                 |       |
| Rentals                                                                                                                       |                                                                                                                 | in the second | а,<br>"                                                                                                        |                | 1,706,250            |       |
| Royalties                                                                                                                     |                                                                                                                 | 14                                                                                                              | ·                                                                                                              |                | None                 |       |
| Advertising                                                                                                                   |                                                                                                                 |                                                                                                                 |                                                                                                                |                | 125,061              |       |
|                                                                                                                               | development                                                                                                     |                                                                                                                 |                                                                                                                |                | None                 |       |

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

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Financial Information for Inclusion in Annual 10-K Report

December 31, 1972 and 1971

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#### PEAT, MARWICK, MITCHELL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

#### ACCOUNTANTS' REPORT

The Board of Directors Columbia Insurance Company:

We have examined the financial statements and related schedules of Columbia Insurance Company (formerly Reinsurance Corp. of Nebraska) 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. We did not examine the financial statements of Blue Chip Stamps and its subsidiary, a significant nonconsolidated affiliated company, which statements were examined by other auditors whose qualified report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to Blue Chip Stamps and its subsidiary included in stock of affiliates, \$3,498,635 and \$3,243,336 at December 31, 1972 and 1971, respectively, and \$315,299 and \$130,210 in equity in net profit, affiliated companies for 1972 and 1971, respectively, is based solely upon the report of the other auditors.

We have reviewed the audited financial statements issued by Blue Chip Stamps for the year ended March 3, 1973 and noted the pending legal proceedings, resulting in a qualified opinion on such financial statements by the other auditors. These legal proceedings are explained in note 4 to the financial statements.

In our opinion, based upon our examination and the report of the other auditors and subject to the effect, if any, upon the investment in Blue Chip Stamps resulting from the ultimate outcome of the legal proceedings referred to in the preceding paragraph, such financial statements present fairly the financial position of Columbia Insurance Company at December 31, 1972 and 1971 and the results of its operations, changes in capital stock and surplus and changes in its financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for investments in stock of affiliates as described in note 2 to the financial statements; and the supporting schedules, in our opinion, present fairly the information set forth therein.

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PEAT, MARWICK, MITCHELL & CO.

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Omaha, Nebraska March 21, 1973

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Index to Financial Statements

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Balance Sheets, December 31, 1972 and 1971

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Statements of Cperations, Years ended December 31, 1972 and 1971

Statements of Capital Stock and Surplus, Years ended December 31, 1972 and 1971

Statements of Changes in Financial Position, Years ended December 31, 1972 and 1971

Notes to Financial Statements, December 31, 1972 and 1971

|                                                      |                    | i s prist<br>S                        | <u>Schedule</u> |
|------------------------------------------------------|--------------------|---------------------------------------|-----------------|
| Bonds                                                |                    |                                       | I               |
| Stocks - Other than Stocks of Affi                   | liates             |                                       | IÏ              |
| Summary of Investments in Securitie<br>of Affiliates | es - Other than Se | curities                              | V               |
| Investments in Common Stocks of Af                   | filiates           | , р.<br>А                             | VI              |
| Premiums, Losses and Underwriting                    | Expenses           | с. <mark>9</mark> . — с. 6. — с.<br>С | VII             |
| Income from Dividends - Equity in 1                  | Net Profit of Affi | liates                                | х               |
| Summary of Realized Gains on Sale                    | of Investments     |                                       | XI              |

Schedules III, IV, VIII and IX are omitted because they are not applicable.

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#### **Balance** Sheets

#### December 31, 1972 and 1971

| Assets                                                                                     | <u>1972</u>         | <u>1971</u>                                                                                                      |
|--------------------------------------------------------------------------------------------|---------------------|------------------------------------------------------------------------------------------------------------------|
| Bonds at amortized value (note 1) (Schedule I)                                             | \$ <u>1,058,203</u> | 1,041,612                                                                                                        |
| Stocks (notes 1, 2 and <sup>2</sup> 4):                                                    |                     | ·                                                                                                                |
| Other than stocks of affiliates (Schedule II)                                              | 1,187,548           | 1,203,820                                                                                                        |
| Affiliates (Schedule VI)                                                                   | 7,034,077           | 5,203,590                                                                                                        |
|                                                                                            | 8,221,625           | 6,407,410                                                                                                        |
| Cash and bank deposits                                                                     | 16,266              | 14,028                                                                                                           |
| Uncollected premiums (net of commissions                                                   |                     |                                                                                                                  |
| payable of \$81,205, 1972; \$103,139, 1971)                                                | 272,738             | 329,430                                                                                                          |
| Investment income due and accrued                                                          | 46,406              | 23,429                                                                                                           |
| Prepaid acquisition costs                                                                  | 143,000             | 164,320                                                                                                          |
| Other assets                                                                               | 345                 | 505                                                                                                              |
|                                                                                            | \$ <u>9,758,583</u> | 7,980,734                                                                                                        |
|                                                                                            |                     |                                                                                                                  |
| Liabilities, Capital Stock and Surplus                                                     | Ϋ́.                 |                                                                                                                  |
| Losses and claims (note 1)                                                                 | \$ 1,005,227        | 409,513                                                                                                          |
| Loss adjustment expenses                                                                   | 171,485             | 86,525                                                                                                           |
| Unearned premiums (note 1) (Schedule VII)                                                  | 845,259             | 720,389                                                                                                          |
| Assumed losses payable                                                                     | 64,738              | 60,366                                                                                                           |
| Federal income taxes:                                                                      | · <u>·</u>          |                                                                                                                  |
| Current                                                                                    | 794                 | 86,000                                                                                                           |
| Deferred                                                                                   | 153,258             | 55,528                                                                                                           |
|                                                                                            | 154,052             | 141,528                                                                                                          |
|                                                                                            |                     |                                                                                                                  |
| Other liabilities                                                                          | 1,578               | 1,013                                                                                                            |
| a an                                                   | 2,242,339           | 1,419,334                                                                                                        |
|                                                                                            |                     |                                                                                                                  |
| Capital stock and surplus:                                                                 | 2                   |                                                                                                                  |
| Capital stock par value \$100. Authorized,<br>issued and outstanding 5,000 shares (note 3) | 500,000             | 500,000                                                                                                          |
| Surplus:                                                                                   | 500,000             | 500,000                                                                                                          |
| Paid-in                                                                                    | 5,355,389           | 5,355,389                                                                                                        |
| Unassigned                                                                                 | 1,660,855           | 706,011                                                                                                          |
| Total surplus                                                                              | 7,016,244           | 6,061,400                                                                                                        |
|                                                                                            | 7,516,244           | 6,561,400                                                                                                        |
|                                                                                            |                     |                                                                                                                  |
|                                                                                            | \$ <u>9,758,583</u> | 7,980,734                                                                                                        |
|                                                                                            |                     | and the second |

See accompanying notes to financial statements.

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#### Statements of Operations

#### Years ended Decemb<u>er 31</u>, 1972 and 1971

|                                                     | <u>1972</u>      | <u>1971</u>     |
|-----------------------------------------------------|------------------|-----------------|
| Underwriting income:                                |                  |                 |
| Net premiums written (Schedule VII)                 | \$ 1,834,106     | 1,433,640       |
| Increase in unearned premiums                       | 124,870          | 481,228         |
| Premiums earned (Schedule VII)                      | 1,709,236        | 952,412         |
| Losses incurred (Schedule VII)                      | 1,159,875        | 588,492         |
| Loss expense incurred (Schedule VII)                | 128,568          | 94,663          |
|                                                     | 1,288,443        | 683,155         |
|                                                     | 420,793          | 269,257         |
|                                                     | 24               | a) ()           |
| Underwriting expenses incurred:                     |                  |                 |
| Commissions and brokerage                           | 347,294          | 326,155         |
| Taxes, licenses and fees                            | 3,788 -          | 179<br>1,846    |
| Other underwriting expenses                         | 4,508<br>21,320  | (112,231)       |
| Decrease (increase) in prepaid acquisition costs    | 376,910          | 215,949         |
| 0<br>Des file from undervisiting                    | 43,883           | 53,308          |
| Profit from underwriting                            |                  |                 |
| Investment income:                                  | А. Х.            | میں<br>مشکلات ا |
| Interest on bonds                                   | 75,661           | 72,382          |
| Dividends, unaffiliated companies (Schedule X)      | 74,148           | 31,396          |
| Equity in net profit, affiliated companies (note 4) |                  |                 |
| (Schedule X)                                        | 858,521          | 315,763         |
| Total investment income                             | 1,008,330        | 419,544         |
| <b>T</b>                                            | 1,226            | 1,564           |
| Investment expenses<br>Net investment income        | 1,007,104        | 417,980         |
| Net investment income                               | 1,007,104        |                 |
| Income before provision for income                  |                  |                 |
| taxes                                               | 1,050,987        | 471,288         |
| . · · · · ·                                         | · · · ·          |                 |
| Deferred Federal income taxes                       | 97,729           | 50,541          |
| Net income                                          | 953,258          | 420,747         |
| Realized gains on investments (Schedule XI)         | 2,266            | 286,140         |
| Less Federal income taxes on gain                   | 680              | 86,000          |
| Net realized gains on investments                   | 1,586            | 200,140         |
| Mar Parting On The Parting                          | ·····            |                 |
| Net income and realized gains on                    | $E \frac{22}{5}$ |                 |
| investments                                         | \$ 954,844       | 620,887         |
|                                                     |                  |                 |

See accompanying notes to financial statements.

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#### Statements of Capital Stock and Surplus

#### Years ended Decemb<u>er 31</u>, 1972 and 1971

|    |                                                                                                       |                     | 10                       |                     |                          |
|----|-------------------------------------------------------------------------------------------------------|---------------------|--------------------------|---------------------|--------------------------|
| -  |                                                                                                       |                     | 1972                     |                     | 971                      |
| v  | Capital Stock                                                                                         | Number<br>of shares | Par value                | Number<br>of shares | <u>Par value</u>         |
| ъ. | Balance at beginning and end of year                                                                  | 5,000               | \$ <u>500,000</u>        | 5,000               | \$ <u>500,000</u>        |
|    | 43 yes                                                                                                |                     | н<br>Н                   |                     | N.                       |
| 1  | <u>Surplus</u>                                                                                        | 1<br>Paid-in        | 972<br><u>Unassigned</u> | <u>Paid-in</u>      | 971<br><u>Unassigned</u> |
|    | Balance at beginning of year \$<br>Equity adjustment (note 2)                                         | 5,355,389           | 706,011                  | 2,968,688           | 408,341<br><u>60,920</u> |
|    | Balance at beginning of year, restated                                                                | <u>5,355,389</u>    | 706,011                  | 2,968,688           | <u>469,261</u>           |
|    | Net income                                                                                            | -                   | 954,844                  | ·                   | 620,887                  |
|    | Unrealized gain from excess<br>of market value over book<br>value of stocks, net of<br>Federal income | 0                   | n<br>Q                   |                     |                          |
|    | taxes                                                                                                 | <b>-</b> '          | · · <u>-</u>             | 0<br>0              | (384,137)                |
|    | Contribution by parent<br>(note 3)                                                                    |                     |                          | 2,386,701           |                          |
|    | Balance at end of year \$                                                                             | 5,355,389           | 1,660,855                | 5,355,389           | 706,011                  |

See accompanying notes to financial statements.

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Statements of Changes in Financial Position

Years ended Decemb<u>er 31, 1972 and 1971</u>

| $\frac{D_{s}}{m} = \epsilon$ |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                 | <u>1972</u>            | <u>1971</u>                            |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------|----------------------------------------|
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                 |                        |                                        |
| Funds prov                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                 |                        |                                        |
|                              | perations:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                 | A                      | 600.007                                |
|                              | Income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                 | \$ 954,844             | 620,887                                |
|                              | ges (credits) to income not                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | requiring                       |                        |                                        |
|                              | coviding) funds:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                 |                        | · · · · · · · · · · · · · · · · · · ·  |
|                              | mortization of bond discou                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                 | (5,346)                |                                        |
|                              | Increase in loss and loss e                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                 | 680,674                | 442,846                                |
|                              | Increase in unearned premiu                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                 | 124,870                | 481,227                                |
|                              | Increase in assumed losses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | payable                         | 4,372                  | 33,607                                 |
|                              | Increase in deferred taxes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | н н. н.                         | 97,730                 | 50,541                                 |
| 1                            | (Decrease) increase in accr                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | ued taxes and 🔍 🔬               |                        |                                        |
|                              | expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | ь.                              | (84,641)               | 86,570                                 |
| 1                            | Decrease (increase) in unco                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | llected premiums                | 56,692                 | (212,214)                              |
| }}                           | (Increase) decrease in inte                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | rest receivable                 | (22,977)               | 1,952                                  |
|                              | Decrease (increase) in prep                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | aid acquisition                 | ų:                     |                                        |
| 1. A.                        | costs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                 | 21,320                 | (112,231)                              |
| ]                            | Equity in net profit, affil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | iated companies,                |                        |                                        |
| ,                            | net of dividends                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | -                               | (798,522)              | (278,822)                              |
|                              | Amortization of organization                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | on expense                      | <u>160</u>             | 126                                    |
|                              | Funds provided from a                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | perations                       | 1,029,176              | 1,114,489                              |
|                              | and the second                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                 |                        |                                        |
| From in                      | nvestments sold or matured:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                 |                        | (ł                                     |
| Bond                         | S                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                 | , ža – <b>750, 814</b> | 1,957,443                              |
| Comm                         | on stocks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                 | <u> </u>               | <u>    647,775</u>                     |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                 | 772,648                | 2,605,218                              |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                 |                        |                                        |
| Contri                       | bution by parent (note 3)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                 | -                      | 2,386,701                              |
|                              | se in cash                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                 |                        | 2,023                                  |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | М                               | A 1 001 001            | <u> </u>                               |
|                              | Total funds provided                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 4 A                             | \$ <u>1,801,824</u>    | <u>6,108,431</u>                       |
|                              | : · · ·                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                 |                        |                                        |
| Funds use                    | d: 100                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 5                               | 6                      | р. — М                                 |
| Cost o                       | f investments purchased:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                 | 1                      |                                        |
| Bond                         | S                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                 | 762,059                | 2,516,269                              |
|                              | on stocks:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                 | a                      |                                        |
|                              | her than stocks of affilia                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | tes                             | 5,562                  | 780,031                                |
| Af                           | filiates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                 | 1,031,965              | 2,812,131                              |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                 | 1,037,527              | 3,592,162                              |
|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2                               | 1,799,586              | 6,108,431                              |
| Tuana                        | so in each                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | $\phi^{\tilde{M}^{0}}$ , $\phi$ | 2,238                  |                                        |
| Increa                       | se in cash                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1)<br>1)                        |                        |                                        |
|                              | 1995 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 19 |                                 | \$ <u>1,801,824</u>    | 6,108,431                              |
| и<br>19 <sup>го</sup>        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                 | ,                      | ······································ |

See accompanying notes to financial statements.

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#### Notes to Financial Statements

#### December 31, 1972 and 1971

(1) Summary of Significant Accounting Policies and Practices: Insurance Premiums:

> Insurance premiums are recognized as revenues ratably over the terms of the policies. Unearned premiums are computed on the monthly pro rata basis. Policy acquisition costs or commissions are deferred and charged against income ratably over the terms of the policies.

#### Securities:

Investments in bonds are stated at cost, adjusted where appropriate for amortization of premium or accretion of discount. Investments in stock are stated at cost. Certain bonds and stocks deposited in trust with regulatory authorities or with an affiliated company in accordance with warious reinsurance treaties were as follows:

|                         | <u>1972</u>        | <u>1971</u>      |
|-------------------------|--------------------|------------------|
| Bonds at amortized cost | \$ 295,23          | 8 293,892        |
| Stocks                  | <u>1,369,68</u>    | <u>1,369,682</u> |
|                         | \$ <u>1,664,92</u> | <u>1,663,574</u> |

Reserve for Losses:

The reserve for losses and loss adjustment expenses is based upon past experience and estimates received relating to assumed reinsurance and estimates of unreported losses.

Catastrophe Reserves:

The company does not provide a reserve for catastrophe losses. The Committee on Insurance Accounting and Auditing of the American Institute of Certified Public Accountants in cooperation with industry representatives is working toward the development of a definitive statement as to the appropriate accounting for catastrophe losses and resolution may lead to changes in the accounting practices being followed.

Income Taxes:

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The company accounts for certain income and expense items differently for financial reporting purposes than for income tax purposes. Provisions for deferred taxes are being made in recognition of these timing differences.

The company joins its parent and other affiliated companies in filing a consolidated Federal income tax return. It is the policy of the company to accrue appropriate income taxes on the unremitted earnings of affiliates.

#### (2) Investments Reported on the Equity Method:

The investment in Blue Chip Stamps and Berkshire Hathaway, Inc. meet the criteria set forth by the American Institute of Certified Public Accountants Accounting Principles Board for investments which must be reported on the equity method for all fiscal periods beginning after December 31, 1971. Such investments previously were carried at cost with dividends received thereon reflected in income. This change had the effect of increasing net earnings by approximately \$258,000 and \$61,000 for the years ended December 31, 1971 and 1970, rcspectively.

Notes to Financial Statements, Continued

(3) Organization of the Company:

During December 1971 the company changed its name from Reinsurance Corp. of Nebraska to Columbia Insurance Company.

During 1971 the parent contributed certain stock to the company. Such stock was recorded in the accounts at the parent's cost of \$2,386,701.

(4) Legal Proceedings of Blue Chip Stamps:

The financial statements of Blue Chip Stamps include the following note (the "Company" refers to Blue Chip Stamps):

"Legal proceedings: Pursuant to a consent final judgment entered in 1967, the Company in June 1972 submitted for approval by the United States District Court a plan to offer for sale one-third of its California trading stamp business Docated within a contiguous geographical area in Southern California. In January 1973 the court signed an order (1) disapproving said plan, (2) requiring the Company to continue efforts to negotiate a sale and (3) calling for the the appointment of an independent expert witness to study the feasibility of a sale or spin-off of a portion of the Company's trading stamp business under existing conditions. The Company believes that such a sale or spin-off, if consummated, would have an materially adverse effect on revenues and earnings and under existing market conditions might have a materially adverse effect on its ability to continue its trading stamp business.

"The Company is a defendant in a purported class action to recover for stamp savers monies collected by it as reimbursement for California sales taxes on redemption of stamps. Plaintiffs claim that redemption transactions are not taxable and that all reimbursements were excess reimbursements or alternatively that reimbursement collections exceeded the tax properly payable and such excess should be returned. The Company has paid sales taxes to the state equal to its reimbursement collections. The Company has asserted claims against the state for reimbursement of all or part of any recovery by plaintiffs on either of those theories. The complaint was recently amended to allege fraud and to seek punitive damages from the Company. In the opinion of counsel for the Company, substantial defenses are available, but counsel cannot predict the ultimate outcome of the action.

"A purported class action was filed on November 10, 1970 against the Company and certain of its present and former stockholders and directors. The complaint was filed on behalf of retailer users of Blue Chip Stamps who failed to purchase stock of Blue Chip Stamps in a 1968 offering to retailer users. The complaint alleges damages to plaintiffs of \$21,400,000, together with exemplary damages of \$25,000,000, interest, attorneys' fees and costs, and prays that plaintiffs have the right to purchase stock, or units of stock and debentures, of Blue Chip Stamps on "the terms of the 1968 offering. The action was dismissed with prejudice by the United States District Court and an appeal by the plaintiff is pending. On June 21, 1971 plaintiffs filed a substantially identical action against the same defendants in the Los Angeles County Superior Court, but the Company has not yet been served with process in that action. In the opinion of counsel for the Company, upon the facts known, the complaints are without merit and all defendants should prevail.

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Notes to Financial Statements, Continued

(4) Legal Proceedings of Blue Chip Stamps, Cont.:

"The Company, together with a number of oil companies and supermarket chains, was named as a defendant in an antitrust action filed on July 12, 1971 by a California corporation formerly engaged in the trading stamp business. The complaint seeks treble damages in substantial amounts plus attorneys' fees and costs. The Company has not been served with process. In the opinion of counsel for the Company, upon the facts known, the action is without substantial merit."

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#### Bonds

### Decembe<u>r 3</u>1, 1972

|                                                   | Principal                                                                                                                                                                                                                           |                    | v., <b>č</b> .                          | Market value                | 0                         |                                |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------------------|-----------------------------|---------------------------|--------------------------------|
| Name of issuer and title of issue                 | amount of bonds<br>and notes                                                                                                                                                                                                        | <u>Actual cost</u> | Book value<br>( <u>amortized cost</u> ) | (amortized<br><u>cost</u> ) | Amortized<br><u>value</u> | Admitted<br><u>asset value</u> |
| U. S. Government -                                |                                                                                                                                                                                                                                     |                    | · · · · · · · · · · · · · · · · · · ·   |                             |                           | α V <sub>6</sub>               |
| U. S. Treasury Bills due March 1973               | \$ 100,000                                                                                                                                                                                                                          | 98,716             | 98,716                                  | 98,716                      | 98,716                    | 98,716                         |
| Special revenue and special assessment:           | e de la companya de l<br>La companya de la comp | <b>ð</b>           |                                         |                             | 4<br>                     |                                |
| Alabama, Montgomery Industrial Revenue            | 100,000                                                                                                                                                                                                                             | 100,000            | 100,000                                 | 100,000                     | 100,000                   | 100,000                        |
| Arkansas, Danville Industrial Development Revenue |                                                                                                                                                                                                                                     | 105,000            | 105,000                                 | 105,000                     | 105,000                   | 105,000                        |
| Georgia, Washington-Wilker Payroll Authority      | 100,000                                                                                                                                                                                                                             | 100,000            | 100,000                                 | 100,000                     | 100,000                   | 100,000                        |
| Illinois Toll Road Commission                     | 125,000                                                                                                                                                                                                                             | 91,875             | 94,615                                  | 94,615                      | 94,615                    | 94,615                         |
| Indiana Toll Road Commission                      | 150,000                                                                                                                                                                                                                             | 90,000             | 96,517                                  | 96,517                      | 96,517                    | 96,517                         |
| Iowa, Burlington Industrial Revenue               | 100,000                                                                                                                                                                                                                             | 99,000             | 99,076                                  | 99,076                      | 99,076                    | 99,076                         |
| Kansas, Lenexa Industrial Revenue                 | 100,000                                                                                                                                                                                                                             | 100,000            | 100,000                                 | 100,000                     | 100,000                   | 100,000                        |
| Louisiana, Beauregard Parish Industrial Revenue   | 20,000                                                                                                                                                                                                                              | 16,100             | 16,517                                  | 16,517                      | 16,517                    | 6 16,517                       |
| Missouri, New Madrid Industrial Revenue           | 100,000                                                                                                                                                                                                                             | 80,750             |                                         | 82,795                      | 82,795                    | 82,795                         |
| Missouri, Rolla Industrial Revenue                | 100,000                                                                                                                                                                                                                             | 95,005             | 95,925                                  | 95,925                      | 95,925                    | 95,925                         |
| MISSOULI, KOLLA INGUSTELLAL NEVENUE               | 1,000,000                                                                                                                                                                                                                           | 877,730            | 890,445                                 | 890,445                     | 890,445                   | 890,445                        |
| The Association of Association and Association    |                                                                                                                                                                                                                                     | Ċ:<br>fe           |                                         | · ·                         |                           | • • •                          |
| Industrial and miscellaneous -                    | · · ·                                                                                                                                                                                                                               | 12                 | N:                                      |                             |                           |                                |
| F.M.C. Corporation Convertible Subordinated       | 97,000                                                                                                                                                                                                                              | 69,020             | 69,042                                  | 68,870                      | 69,042                    | 69,020                         |
| Debentures                                        |                                                                                                                                                                                                                                     | •••                |                                         |                             |                           |                                |
|                                                   | \$ <u>1,197,000</u>                                                                                                                                                                                                                 | 1,045,466          | 1,058,203                               | 1,058,031                   | 1,058,203                 | 1,058,181                      |
|                                                   |                                                                                                                                                                                                                                     | о<br>С. С. С.      | 1 <sup>1</sup>                          |                             | e E. C                    | 2<br>7 (2)                     |
|                                                   | 1                                                                                                                                                                                                                                   |                    |                                         |                             |                           |                                |
|                                                   | 1                                                                                                                                                                                                                                   |                    |                                         |                             | ·                         | 14                             |

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### Bonds

### Decembe<u>r 3</u>1, 1971

Principal amount of bonds Actual cost (an and notes Name of issuer and title of issue U. S. Government -156,492 \$ 160,000 U. S. Treasury Bills due February 1972 Special revenue and special assessment: 100,000 100,000 Alabama, Montgomery Industrial Revenue 105,000 -Arkansas, Danville Industrial Development Revenue 105,000 100,000 Georgia, Washington-Wilker Payroll Authority 100,000 125,000 91,875 Illinois Toll Road Commission 150,000 90,000 Indiana Toll Road Commission 100,000 99,000 Iowa, Burlington Industrial Revenue 100,000,-100,000 Kansas, Lenexa Industrial Revenue 16,100 80,750 <u>95,005</u> 877,730 Louisiana, Beauregard Parish Industrial Revenue 20,000 Missouri, New Madrid Industrial Revenue 100,000  $\frac{100,000}{1,000,000}$ Missouri, Rolla Industrial Revenue

\$ <u>1,160,000</u> <u>1,034,222</u>

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| Book value<br>amortized cost) | Market value<br>(amortized<br><u>cost</u> ) | Amortized<br><u>value</u> | Admitted<br>asset value |
|-------------------------------|---------------------------------------------|---------------------------|-------------------------|
| <u>156,492</u>                | 156,492                                     | 156,492                   |                         |
| 100,000                       | 100,000                                     | 100,000                   | 100,000                 |
| 105,000                       | 105,000                                     | 105,000                   | 105,000                 |
| 100,000                       | 100,000                                     | 100,000                   | 100,000                 |
| 93,234                        | 93,234                                      | 93,234                    | 93,234                  |
| 93,970                        | 93,970                                      |                           | o 93,970                |
| 99,025                        | 99,025                                      | 99,025                    | 99,025                  |
| 100,000                       | 100,000                                     | 100,000                   | 100,000                 |
| 16,349                        | 16,349                                      | 16,349                    | 16,349                  |
| 81,969                        | 81,969                                      | 81,969                    | 81,969                  |
| 95,573                        | 95,573                                      | 95,573                    | <u>95,573</u>           |
| 885,120                       | 885,120                                     | 885,120                   | 885,120                 |
| 1,041,612                     | 1,041,612                                   | 1,041,612                 | 1,041,612               |
| ()                            | · · ·                                       |                           |                         |

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Schedule 1

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Stocks - Other than Stocks of Affiliates

| Decembe <u>r 3</u> 1, | 1972 |
|-----------------------|------|
|-----------------------|------|

| Name of issuer and title of issue                                                                                                                                                                                                                                                                                                          | <b>\$</b> |    | Number<br>of<br><u>shares</u>                                            | <u>Actual cost</u>                                                                            | Book value<br>( <u>cost</u> )                                                            | <u>Market value</u>                                                                                        | Admitted<br>asset value                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Public utilities - California Water Service Co.                                                                                                                                                                                                                                                                                            |           | ·  | 11,062                                                                   | \$                                                                                            | 275,449                                                                                  | 309,736                                                                                                    | <u>309,736</u>                                                                                      |
| Banks, trusts and insurance companies:<br>Cleveland Trust Company<br>Girard Company<br>Harris Trust and Savings of Chicago<br>National Bank of Detroit<br>New England Merchants Co., Inc.<br>Omaha National Corporation<br>Pittsburgh National Corporation<br>State Street Boston Financial<br>Third National Bank of Nashville, Tennessee | 5         |    | 10<br>100<br>50<br>100<br>100<br>8,800<br>100<br>50<br>200<br>9,510      | 802<br>5,025<br>2,512<br>5,112<br>2,313<br>118,641<br>3,513<br>1,988<br>4,575<br>144,481      | 802<br>5,025<br>2,512<br>5,112<br>2,313<br>118,641<br>3,513<br>1,988<br>4,575<br>144,481 | 925<br>5,563<br>2,913<br>5,075<br>2,375<br>226,600<br>3,650<br>2,413<br>9,550<br>259,064                   | 925<br>5,563<br>2,913<br>5,075<br>2,375<br>226,600<br>3,650<br>2,413<br>9,550<br>259,064            |
| Industrial and miscellaneous:<br>Boeing Company<br>Grumann Corporation<br>Investors Diversified Services<br>Kennecott Copper Corporation<br>New Yorker Magazine, Inc.<br>Northrup Corporation<br>Washington Post Company<br>Wesco Financial Corporation                                                                                    | -         |    | 100<br>100<br>100<br>12,000<br>100<br>100<br><u>105</u><br><u>12,705</u> | 2,177<br>1,723<br>848<br>2,735<br>753,951<br>1,952<br>2,433<br><u>1,799</u><br><u>767,618</u> | 2,1/7<br>1,723<br>848<br>2,735<br>753,951<br>1,952<br>2,433<br><u>1,799</u><br>767,618   | 2,500<br>1,000<br>900<br>2,375<br>576,000<br>2,313<br>3,800<br><u>1,693</u><br><u>590,581</u><br>1,159,381 | 2,500<br>1,000<br>900<br>2,375<br>576,000<br>2,313<br>3,800<br><u>1,693</u><br>590,581<br>1,159,381 |
| Total common stocks                                                                                                                                                                                                                                                                                                                        |           | ۵. |                                                                          | \$ <u>1,187,548</u>                                                                           | 1,187,548                                                                                | <u>1,137,301</u>                                                                                           | <u>1,137,301</u>                                                                                    |

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Stocks - Other than Stocks of Affiliates

### Decembe<u>r 3</u>1, 1971

| 9<br>1   | <u>Name of issuer and title of issue</u>                                                                                                                                                                                                                                                                       | Number<br>of<br><u>shares</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| т.<br>Э  | Public utilities - California Water Service Co.                                                                                                                                                                                                                                                                | 11,062                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <i>5</i> | Banks, trusts and insurance companies:<br>Girard Company<br>Harris Trust and Savings of Chicago<br>National Bank of Detroit<br>New England Merchants Co., Inc.<br>Omaha National Corporation<br>Pittsburg National Corporation<br>State Street Boston Financial<br>Third National Bank of Nashville, Tennessee | 500<br>50<br>100<br>100<br>8,800<br>100<br>50<br>200<br>9,900                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|          | Industrial and miscellaneous:<br>Grumann Corporation<br>Kennecott Copper Corporation<br>New Yorker Magazine, Inc.<br>Northrup Corporation<br>Washington Post Company<br>Wesco Financial Corporation                                                                                                            | <pre>     100     100     12,000     100     100     100     100     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500     12,500</pre> |

Total common stocks

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|            | ан т.<br>Ал        | Book value         |                                                                                                                                                                                                                                                     | Admitted           |
|------------|--------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <u>A</u>   | ctual cost         | ( <u>cost</u> )    | <u>Market value</u>                                                                                                                                                                                                                                 | <u>asset value</u> |
| \$.        | 275,448            | 275,448            | 298,674                                                                                                                                                                                                                                             | 298,674            |
|            | 05 105             | 05 105             | 27,750                                                                                                                                                                                                                                              | 27,750             |
|            | 25,125             | 25,125             |                                                                                                                                                                                                                                                     | 2,719              |
|            | 2,513              | 2,513              | 2,719                                                                                                                                                                                                                                               | 4,800              |
|            | 5,113              | 5,113              | 4,800                                                                                                                                                                                                                                               | 4,800<br>2,400     |
|            | 2,312              | 2,312              | 2,400                                                                                                                                                                                                                                               | 202,400            |
|            | 118,641            | 118,641            | 202,400                                                                                                                                                                                                                                             | 3,550              |
|            | 3,512              |                    | 3,550                                                                                                                                                                                                                                               | 2,062              |
|            | 1,987              | 1,987              | 2,002                                                                                                                                                                                                                                               | 6,475              |
|            | 4,575              | 4,575              | <u>6,475</u>                                                                                                                                                                                                                                        | 252,156            |
|            | <u>163,778</u>     | <u>    163,778</u> | 252,156                                                                                                                                                                                                                                             | 001,222            |
|            |                    |                    | - W                                                                                                                                                                                                                                                 |                    |
|            | 1,723              | 1,723              | 1,537                                                                                                                                                                                                                                               | 1,537              |
|            | 2,735              | 2,735              | 2,438                                                                                                                                                                                                                                               | 2,438              |
| <i>.</i> 7 | 753,951            | 753,951            | 396,000                                                                                                                                                                                                                                             | 396,000            |
|            | 1,952              | 1,952              | 2,163                                                                                                                                                                                                                                               | 2,163              |
|            | 2,434              | 2,434              | 2,537                                                                                                                                                                                                                                               | 2,537              |
|            | 1,799              | 1,799              | 1,700                                                                                                                                                                                                                                               | <u> </u>           |
|            | 764,594            | 764,594            | <u>406,375</u> %                                                                                                                                                                                                                                    | 406,375            |
| <b>\$</b>  | 1,203,820          | 1,203,820          | 957,205                                                                                                                                                                                                                                             | <u>957,205</u>     |
|            | н<br>- стала стала | ( <b>)</b>         | ана страна<br>Страна страна<br>Страна страна br>Страна страна |                    |
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# Summary of Investments in Securities - Other than Securities of Affiliates

### Decembe<u>r 3</u>1, 1972

|                                                                          | Decemb            |                          |                   | . ° . ◆             |                                       | 19 (j. 19                   |   |
|--------------------------------------------------------------------------|-------------------|--------------------------|-------------------|---------------------|---------------------------------------|-----------------------------|---|
| Type of security                                                         |                   | <u>Actual cost</u>       | <u>Book value</u> | <u>Market value</u> | Amortized<br><u>value</u>             | Admitted<br>asset value     |   |
| Bonds and notes:                                                         | υ                 |                          | 1.<br>1.<br>1.    |                     |                                       |                             |   |
| U. S. Government                                                         |                   | \$ 98,716                | 98,716            | 98,716<br>890,445   | 98,716<br>890,445                     | 98,716<br>890,445           |   |
| Special revenue and special assessment<br>Industrial and miscellaneous   |                   | 877,730<br><u>69,020</u> | 890,445<br>69,042 | 68, <u>870</u>      | 69,042                                | 69,020                      |   |
| Total bonds and notes                                                    |                   | 1,045,466                | 1,058,203         | 1,058,031           | 1,058,203                             | 1,058,181                   |   |
| Stocks:                                                                  |                   |                          | 1.<br>1.<br>1.    |                     |                                       |                             | 2 |
| Common stocks:<br>Public utilities                                       | ·<br>·            | 275,449                  | 275,449           | 309,736             | · <b>_</b>                            | 309,736                     |   |
| Banks, trusts and insurance companies                                    |                   | 144,481                  | 144,481           | 259,064             | -                                     | 259,064                     |   |
| Industrial and miscellaneous                                             |                   | 767,618                  | 767,618           | <u>590,581</u>      | هم<br>                                | <u>590,581</u><br>1,159,381 |   |
| Total stocks                                                             | 4 N               | 1,187,548                | 1,187,548         | <u>1,159,381</u>    | · · · · · · · · · · · · · · · · · · · | 1,137,301                   |   |
| Total investments in securities -<br>other than securities of affiliates | D.                | \$ <u>2,233,014</u>      | 2,245,751         | 2,217,412           | <u>1,058,203</u>                      | 2,217,562                   |   |
|                                                                          | (3 <sup>4</sup> ) |                          |                   |                     |                                       | Υ.                          |   |

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Summary of Investments in Securities - Other than Securitie

Decembe<u>r 3</u>1, 1971

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|                                              |                                                                                                                  | * <i>i</i> e                                  | 5<br>Ng                                                                                                         |   |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---|
|                                              | and the second |                                               | Amortized Admitted                                                                                              |   |
| Type of security                             | Actual cost                                                                                                      | <u>Book value</u> <u>Market value</u>         | value asset value                                                                                               | • |
|                                              | aŭ 💦                                                                                                             |                                               | 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - |   |
| Bonds and notes:<br>U. S. Government         | \$ 156,492                                                                                                       | 156,492 156,492                               | 156,492 156,492                                                                                                 |   |
| Special revenue and special assessment       | 877,730                                                                                                          | 885,120 885,120                               | <u>885,120</u><br><u>885,120</u><br><u>10/1 (12</u>                                                             |   |
| Total bonds and notes                        | 1,034,222                                                                                                        | 1,041,612 1,041,612                           | 1,041,612 1,041,612                                                                                             |   |
| Stocks:                                      | g w                                                                                                              |                                               |                                                                                                                 |   |
| Common stocks:                               |                                                                                                                  | 1<br>1                                        |                                                                                                                 |   |
| Public utilities                             | 275,448                                                                                                          | 275,448                                       | - 298,674<br>- 252,156                                                                                          |   |
| Banks, trusts and insurance companies        | 163,778<br>5,623,455                                                                                             | 163,778 252,156<br>5,623,455 <u>6,423,565</u> | - <u>6,423,565</u>                                                                                              | 3 |
| Industrial and miscellaneous<br>Total stocks | 6,062,681                                                                                                        | <u>6,062,681</u> <u>6,974,395</u>             | - 6,974,395                                                                                                     |   |
| Total investments in securities              |                                                                                                                  | 10 - Marken Sta                               |                                                                                                                 |   |
| other than securities of affiliates          | \$. <u>7.,096,903</u>                                                                                            | <u>7,104,293</u> <u>8,016,007</u>             | <u>1,041,612</u> <u>8,016,007</u>                                                                               |   |
|                                              |                                                                                                                  | e e e e e e e e e e e e e e e e e e e         |                                                                                                                 |   |

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<u>Schedule</u>

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### Investments in Common Stocks of Affiliates

### Decembe<u>r 3</u>1, 1972

|                                          |           |           | .1         |        |                         |             |                    |                               |                     | ()<br>()                                          | <u></u>             |                                   |
|------------------------------------------|-----------|-----------|------------|--------|-------------------------|-------------|--------------------|-------------------------------|---------------------|---------------------------------------------------|---------------------|-----------------------------------|
| an a | Name      | of issuer | 1 <u>.</u> |        | ्राष्ट्र-<br>२ - २<br>२ | 2<br>2<br>2 | :                  | Number<br>of<br><u>shares</u> | <u>Actual cost</u>  | Equity in net<br>assets and<br><u>excess cost</u> | <u>Market value</u> | Admitted<br>asset<br><u>value</u> |
| <i>I</i>                                 | Berkshire | Hathaway, | Inc.       | 1. N   |                         |             |                    | 48,635                        | \$ 2,789,951        | 3,535,442                                         | 3,890,800           | 3,890,800                         |
| 2                                        | Blue Chip | Stamps    |            | 90<br> |                         |             | 11 A. ()           | 250,000                       | 3,100,875           | 3,498,635                                         | 3,843,750           | 3,843,750                         |
|                                          | ). Ø      |           |            |        |                         | 400 ·       | 1                  | 298,635                       | \$ <u>5 890,826</u> | 7,034,077                                         | 7,734,550           | 7,734,550                         |
| ji                                       |           |           | · ·        | ·      |                         |             | с                  |                               |                     |                                                   |                     | ·                                 |
| ð                                        | ÷         |           |            |        | 9<br>-                  |             | Decemb <u>er 3</u> | <u>1,</u> 1971                |                     | ·                                                 |                     |                                   |
|                                          | Berkshire | Hathaway, | Inc.       | 3      |                         | ,           |                    | 35,067                        | \$ 1,757,986        | 1,960,254                                         | 2,454,690           | 2,454,690                         |
| ан<br>1917 - Ал                          | Blue Chip | Stamps    |            |        |                         |             | · · ·              | 250,000                       | 3,100,875           | 3,243,336                                         | 3,562,500           | 3,562,500                         |
| : C                                      | 0         |           |            | t<br>  |                         |             |                    | 285,067                       | \$ <u>4,858,861</u> | 5,203,590                                         | <u>6,017,190</u>    | <u>6,017,190</u>                  |
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| e <sup>€</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | ана стала<br>1910 г. – Стала<br>1910 г. – Стала В                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                   | - 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril                                                                                                                                                                                                                                                                                                                                                                                                      | premiums<br>beginning pr<br><u>of period w</u><br>\$ 254,843<br>31,765<br>58<br>7,158                                                                        | Year ended Decemb<br>Year ended Decemb<br>Unearned<br>Net premiums<br>oremiums end of<br>written period<br>349,707 252,858<br>107,984 59,907<br>3' 118<br>109,6' 42,480                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Premiums       Losses         earned       incurred         during       period         351,692       208,327         79,842       42,703         284       -         74,353       53,523                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during during<br><u>period</u> <u>period</u> | Other<br>under-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine                                                                                                                                                                                                                                                                                                                                                                                     | premiums<br>beginning pr<br><u>of period w</u><br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641                                                              | Year ended Decemb<br>Year ended Decemb<br>Unearned<br>Net premiums<br>oremiums end of<br>written period<br>349,707 252,858<br>107,984 59,907<br>3'118<br>109,6' 42,480<br>38,500 16,436                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Premiums       Losses         earned       incurred         during       period         9       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during during<br><u>period</u> <u>period</u> | Other<br>under-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto                                                                                                                                                                                                                                                                                                                              | premiums<br>beginning pr<br><u>of period</u> <u>W</u><br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163                                      | Part 1 - Premiums           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           34,500         16,436           26,403         8,526           288,893         87,343                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Premiums       Losses         earned       incurred         during       period         9       351,692         208,327       79,842         42,703       284         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during during<br><u>period</u> <u>period</u> | Other<br>under-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage                                                                                                                                                                                                                                                                                    | premiums<br>beginning pr<br>of period w<br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917                               | Part 1 - Premiums           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           34,000         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Premiums       Losses         earned       incurred         during       period         9       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090         525,622       392,681         334,882       267,164                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during during<br>period period               | Other<br>under-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage<br>Aircraft (all perils)                                                                                                                                                                                                                                                           | premiums<br>beginning pr<br>of period w<br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917<br>822                        | Part 1 - Premiums           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           34,500         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931           13,871         -           9,944         8,417                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Premiums       Losses         earned       incurred         during       period         period       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090         525,622       392,681         334,882       267,164         14,693       1,802         5,927       6,874                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during during<br>period period               | Other<br>under-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage<br>Aircraft (all perils)<br>Surety<br>Burglary and theft                                                                                                                                                                                                                           | premiums<br>beginning pr<br>of period W<br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917<br>822<br>4,400<br>13         | Part 1 - Premiums           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           3'         118           109,6'         42,480           38,500         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931           13,871         -           9,944         8,417           246         112                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Premiums       Losses         earned       incurred         during       period         period       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090         525,622       392,681         334,882       267,164         14,693       1,802         5,927       6,874                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during during<br><u>period</u> <u>period</u> | Other<br>under-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage<br>Aircraft (all perils)<br>Surety<br>Burglary and theft<br>Boiler and machinery<br>International                                                                                                                                                                                  | premiums<br>beginning pr<br><u>of period</u> <u>w</u><br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917<br>822<br>4,400 | Year ended Decemb           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           3'         118           109,6'         42,480           38,500         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931           13,871         -           9,944         8,417           246         112           334         183           48,467         20,286                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Premiums       Losses         earned       incurred         during       period         geriod       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090         525,622       392,681         334,882       267,164         14,693       1,802         5,927       6,874         147       -         173       60         28,181       21,528                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during <u>period</u><br><u>period</u>        | Other<br>under-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage<br>Aircraft (all perils)<br>Surety<br>Burglary and theft<br>Boiler and machinery                                                                                                                                                                                                   | premiums<br>beginning pr<br>of period w<br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917<br>822<br>4,400<br>13<br>22   | Year ended Decemb           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           34         118           109,67         42,480           38,500         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931           13,871         -           9,944         8,417           246         112           334         183           48,467         20,286           32,910         27,523                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Premiums       Losses         earned       incurred         during       period         period       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090         525,622       392,681         334,882       267,164         14,693       1,802         5,927       6,874         147       -         173       60         28,181       21,528         5,387       29,327,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during period<br>period period               | Other<br>under-<br>writing<br>expense<br>incurred<br>during<br>period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage<br>Aircraft (all perils)<br>Surety<br>Burglary and theft<br>Boiler and machinery<br>International                                                                                                                                                                                  | premiums<br>beginning pr<br>of period w<br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917<br>822<br>4,400<br>13<br>22   | Year ended Decemb           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           3'         118           109,6'         42,480           38,500         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931           13,871         -           9,944         8,417           246         112           334         183           48,467         20,286                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Premiums       Losses         earned       incurred         during       period         period       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090         525,622       392,681         334,882       267,164         14,693       1,802         5,927       6,874         147       -         173       60         28,181       21,528         5,387       29,327,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during period<br>period period               | Other<br>under-<br>writing<br>expense<br>incurred<br>during<br>period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage<br>Aircraft (all perils)<br>Surety<br>Burglary and theft<br>Boiler and machinery<br>International                                                                                                                                                                                  | premiums<br>beginning pr<br>of period w<br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917<br>822<br>4,400<br>13<br>22   | Year ended Decemb           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           34         118           109,67         42,480           38,500         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931           13,871         -           9,944         8,417           246         112           334         183           48,467         20,286           32,910         27,523                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Premiums       Losses         earned       incurred         during       period         period       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090         525,622       392,681         334,882       267,164         14,693       1,802         5,927       6,874         147       -         173       60         28,181       21,528         5,387       29,327,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during period<br>period period               | Other<br>under-<br>writing<br>expense<br>incurred<br>during<br>period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage<br>Aircraft (all perils)<br>Surety<br>Burglary and theft<br>Boiler and machinery<br>International                                                                                                                                                                                  | premiums<br>beginning pr<br>of period w<br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917<br>822<br>4,400<br>13<br>22   | Year ended Decemb           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           34         118           109,67         42,480           38,500         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931           13,871         -           9,944         8,417           246         112           334         183           48,467         20,286           32,910         27,523                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Premiums       Losses         earned       incurred         during       period         period       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090         525,622       392,681         334,882       267,164         14,693       1,802         5,927       6,874         147       -         173       60         28,181       21,528         5,387       29,327,         1,709,236       1,159,875                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during period<br>period period               | Other<br>under-<br>writing<br>expense<br>incurred<br>during<br>period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage<br>Aircraft (all perils)<br>Surety<br>Burglary and theft<br>Boiler and machinery<br>International                                                                                                                                                                                  | premiums<br>beginning pr<br>of period w<br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917<br>822<br>4,400<br>13<br>22   | Year ended Decemb           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           34         118           109,67         42,480           38,500         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931           13,871         -           9,944         8,417           246         112           334         183           48,467         20,286           32,910         27,523                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Premiums       Losses         earned       incurred         during       period         period       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090         525,622       392,681         334,882       267,164         14,693       1,802         5,927       6,874         147       -         173       60         28,181       21,528         5,387       29,327,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during period<br>period period               | Other<br>under-<br>writing<br>expense<br>incurred<br>during<br>period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                      |        |
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          9,944         8,417           246         112           334         183           48,467         20,286           32,910         27,523                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Premiums       Losses         earned       incurred         during       period         period       208,327         79,842       42,703         284       -         74,353       53,523         33,705       16,492         18,635       2,304         235,713       117,090         525,622       392,681         334,882       267,164         14,693       1,802         5,927       6,874         147       -         173       60         28,181       21,528         5,387       29,327,         1,709,236       1,159,875                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Commissions<br>and<br>Loss expense brokerage<br>incurred incurred<br>during period<br>period period               | Other<br>under-<br>writing<br>expense<br>incurred<br>during<br>period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                      |        |
| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage<br>Aircraft (all perils)<br>Surety<br>Burglary and theft<br>Boiler and machinery<br>International                                                                                                                                                                                  | premiums<br>beginning pr<br>of period w<br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917<br>822<br>4,400<br>13<br>22   | Year ended Decemb           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           34         118           109,67         42,480           38,500         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931           13,871         -           9,944         8,417           246         112           334         183           48,467         20,286           32,910         27,523                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Premiums       Losses         earned       incurred         during       period         period       208,327         79,842       42,703         284       - 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| Fire<br>Allied lines<br>Homeowners multiple peril<br>Commercial multiple peril<br>Inland marine<br>Workmen's compensation<br>Liability other than auto<br>Auto liability<br>Auto physical damage<br>Aircraft (all perils)<br>Surety<br>Burglary and theft<br>Boiler and machinery<br>International                                                                                                                                                                                  | premiums<br>beginning pr<br>of period w<br>\$ 254,843<br>31,765<br>58<br>7,158<br>11,641<br>758<br>34,163<br>33,829<br>340,917<br>822<br>4,400<br>13<br>22   | Year ended Decemb           Unearned           Net         premiums           oremiums         end of           written         period           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           349,707         252,858           107,984         59,907           34         118           109,67         42,480           38,500         16,436           26,403         8,526           288,893         87,343           740,932         249,139           65,896         71,931           13,871         -           9,944         8,417           246         112           334         183           48,467         20,286           32,910         27,523                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Premiums       Losses         earned       incurred         during       period         period       208,327         79,842       42,703         284       - 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# • COLUMBIA INSURANCE COMPANY (formerly Reinsurance Corp. of Nebraska)

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Income from Dividends - Equity in Net Profit of Affiliates

Decembe<u>r 3</u>1, 1972

| 1         | Name of issuer and title of           | <u>issue</u>                               | Amoun<br>of ca<br><u>divide</u> | sh                    | Amount of<br>equicy in<br><u>net profit</u> |
|-----------|---------------------------------------|--------------------------------------------|---------------------------------|-----------------------|---------------------------------------------|
| Pub       | lic utilities - California Water      | Service Co.                                | \$ <u>19,4</u>                  | <u>69</u>             |                                             |
| Banl      | ks, trusts and insurance companie     | »<br>S:                                    |                                 |                       | ·, o · · ·                                  |
| · (       | Cleveland Trust Company               |                                            | ·                               | 26                    | - 10 · ·                                    |
|           | Jirard Company                        |                                            |                                 | 00                    | _                                           |
|           | Harris Trust and Savings of Chica     | gó                                         |                                 | 00                    | •••                                         |
|           | National Bank of Detroit              |                                            | 2                               | 28                    | -                                           |
| <b>1</b>  | New England Merchants Co., Inc.       | 9                                          | · · · 1                         | 40                    | . –                                         |
| (         | Dmaha National Corporation            | · · ·                                      | 10,9                            | 12                    |                                             |
|           | Pittsburg National Corporation        |                                            |                                 | 42                    | - * <i>*</i>                                |
|           | State Street Boston Financial 👘       |                                            | ° <b>1</b>                      | 20                    |                                             |
|           | Third National Bank of Nashville,     | Tennessee                                  |                                 | 50                    |                                             |
|           | 5                                     |                                            | . 12,4                          |                       |                                             |
| -<br>8-19 |                                       | ĵ)                                         | <b></b>                         |                       |                                             |
| 🧴 Indi    | strial and miscellaneous:             |                                            |                                 | ·* .                  | 4, <sup>10</sup>                            |
| Ē         | Berkshire Hathaway, Inc.              |                                            |                                 |                       | 543,222                                     |
| I         | Boeing Company                        | $h^{\bullet} = -\frac{1}{2} e^{-2} e^{-2}$ |                                 | 20                    | -                                           |
|           | Blue Chip Stamps                      | 1.<br>                                     | حر الد                          | $E^{-} = -K_{ij}^{0}$ | 315,299                                     |
|           | Grumann Corporation                   |                                            | *,                              | 25                    |                                             |
|           | Investors Diversified Services        | ŝ.                                         |                                 | 11                    |                                             |
|           | Kennecott Copper Corporation          | ·.                                         |                                 | 00                    | 11 <b>_</b>                                 |
|           | New Yorker Magazine, Inc.             |                                            | 42,0                            |                       | di di Li                                    |
|           | Northrup Corporation                  |                                            | •.                              | 75                    |                                             |
|           | Rheingold Corporation                 |                                            |                                 | 10                    | · ·                                         |
|           | Nashington Post Company               | $\widehat{\mathcal{D}}_{-0}$ .             |                                 | 20                    | _                                           |
|           | · · · · · · · · · · · · · · · · · · · | 0                                          | 42,12                           |                       | 858,521                                     |
| С.<br>Ф   | а<br>1. О так                         | 0<br>0<br>8                                | \$ <u>74,1</u>                  | <u>48</u>             | <u>858,521</u>                              |

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# COLUMBIA INSURANCE COMPANY (formerly Reinsurance Corp. of Nebraska)

### Income from Dividends - Equity in Net Profit of Affiliates

### Decembe<u>r 3</u>1, 1971

|                                                                                                                                                                                                                                                                                                                                                                                                                          | 10 V                                                                                 |        |                                                                                                   |                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <u>Name of issuer an</u>                                                                                                                                                                                                                                                                                                                                                                                                 | a title of issue                                                                     |        | Amount<br>of cash<br><u>dividends</u>                                                             | Amount of <sup>(1)</sup><br>equity in<br>net profit                                         |
| Public utilities - Califo                                                                                                                                                                                                                                                                                                                                                                                                | rnia Water Servi                                                                     | ce Co. | \$ <u>18,806</u>                                                                                  |                                                                                             |
| <ul> <li>Banks, trusts and insurant<br/>Girard Company<br/>Harris Trust and Savin<br/>National Bank of Detro<br/>New England Merchants<br/>Omaha National Corpora<br/>State Street Boston Fi<br/>Third National Bank of<br/>Industrial and miscellane<br/>Berkshire Hathaway, In<br/>Blue Chip Stamps<br/>Grumann Corporation<br/>Kennecott Copper Corpo<br/>Northrup Corporation<br/>Washington Post Company</li> </ul> | gs of Chicago<br>it<br>Co., Inc.<br>tion<br>nancial<br>Nashville, Tenn<br>ous:<br>c. | essee  | $ \begin{array}{r} 1,500\\25\\110\\35\\10,560\\30\\\underline{200}\\12,460\\12,460\\\end{array} $ | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>- |
| <b>—</b>                                                                                                                                                                                                                                                                                                                                                                                                                 | а<br>                                                                                | , .    | \$ 31,396                                                                                         | 315,763                                                                                     |

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### COLUMBIA INSURANCE COMPANY (formerly Reinsurance Corp. of Nebraska)

Summary of Realized Gains on Sale of Investments

Year ended De<u>cem</u>ber 31, 1972

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Aggregate              | Aggregate              | n<br>An geo |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|-------------|
| Type of security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | cost                   | proceeds               | Gain        |
| Stocks:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                        | e Sec.                 | ÷           |
| Banks, trusts and insurance companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | \$ 20,100              | 21,900                 | 1,800       |
| Industrial and miscellaneous                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | $\frac{1,734}{21,834}$ | $\frac{2,200}{24,100}$ | <u>466</u>  |
| Income taxes allocated to realized                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 21,004                 | 24,100                 | · 2,200     |
| gains                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u> </u>               |                        | 630         |
| Net realized gains                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | \$ 21,834              | 24,100                 | 1,586       |
| $(1 + 1) = \frac{1}{2} \left[  |                        |                        | Ň           |
| 。 Year ended Decemb                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | er 31, 1971            | 3                      | 3           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | - · · · ·              |                        | -<br>-      |
| Stocks:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                        |                        | т <u>р</u>  |
| Industrial and miscellaneous                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | \$ 647,775             | 933,915                | 286,140     |
| Income taxes allocated to realized gains                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                        | 19                     | 86 000      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b></b>                |                        | 86,000      |
| Net realized gains                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | \$ <u>647,775</u>      | 933,915                | 200,140     |

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|---------------------|
|                                                                                                                                                                                                                                   | COMPUTATION OF EAR                                 | NINGS PER SHARE                                                                                                  | 20<br>20             |                     |                     |
|                                                                                                                                                                                                                                   | n δημοτική του | A sector de la sector | iscal year ended     |                     |                     |
|                                                                                                                                                                                                                                   | February 3,<br>1973                                | January 29,<br>9 1972                                                                                            | January 30, 30, 1971 | January 31,<br>1970 | February 1,<br>1969 |
| e<br>v                                                                                                                                                                                                                            | 1,000,000                                          | ° 1,000,000                                                                                                      | 1,000,000<br>        | 1,000,000           | 1,000,000           |
|                                                                                                                                                                                                                                   | \$2,918,042(4)                                     | \$1,515,880 (3) (5                                                                                               | 5) \$1,720,265(5)    | \$ 114,203 (2) (5   | ) \$1,997,700(6)    |
|                                                                                                                                                                                                                                   | \$ <b>2.92</b>                                     | \$ 1.52                                                                                                          | \$ 1.72              | \$ .11              | \$ 2.00             |
|                                                                                                                                                                                                                                   |                                                    | )).                                                                                                              | -T- G                | ்<br>ஆரா<br>காட்டி  |                     |

- (1) Average shares outstanding have been recast to reflect a 3,333-1/3 to 1 stock split which occurred in December 1969.
- (2) Includes extraordinary loss of \$1,318,979.
- (3) Includes extraordinary loss of \$111,000.

Average shares outstanding (1)

Net earnings

( )

Per share amount

- (4) Includes extraordinary gain of \$193,021.
- (5) Restated to reflect change in 1973 to equity method of accounting for investments in affiliated companies.
- (6) Not necessary to restate as in (5) above since no investments were held in the affiliated companies at this date.

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# BLUE CHIP STAMPS

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# 1973 Annual Report

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Photographs in this annual report follow the flow of merchandise through Blue Chip's distribution system.

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# **Directors and Officers**

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### Directors

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Warren E. Buffett

Personal investments

- Z, Wayne Griffin Chairman of Community Redevelopment Agency of the City of Los Angeles; real estate developer; personal investments
- John P. Guerin, Jr. General partner of J. P. Guerin & Co., investors; director of Pacilic Stock Exchange, Inc., "Chairman of the Board of New America Fund, Inc.
- <sup>6</sup> Joseph P. Hughes President of Hughes Markets, Inc.; Chairman of the Board of Certilied Grocers of Cali. Junia, Ltd.
- Emmett H. Jones
- President of Terminal Oil Company, Industrial Engineering & Equipment Corporation and Westates Investment Co.
- Donald Â. Koeppel
- Chairman of the Board and President of the Company

Charles T. Munger General partner of Wheeler, Munger & Co., Investors William F. Ramsey

Executive Vice President of the Company Ron Stever Chairman of the Board of The Stever Companies.

consulting actuaries and insurance brokers, and of Crescent Whart & Warshouse Co. Andrew J. Wolf

President of A/& B Supermarkets, Inc.

### Officers /

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- Donald A. Koeppel Chairman of the Board and President William F. Ramsey Executive Vice President Raymond H. Allen Vice President, Information Systems Gerald N. Anderson Vice President, Sales
- James D. Carter Vice President, Operations Walter M. Cusack Vice President, Incentives William K. Klepper Vice President, Merchandise Robert H. Bird Secretary and Treasurer Ernest P. Paulson Controller Eleanor Reynolds Assistant Secretary

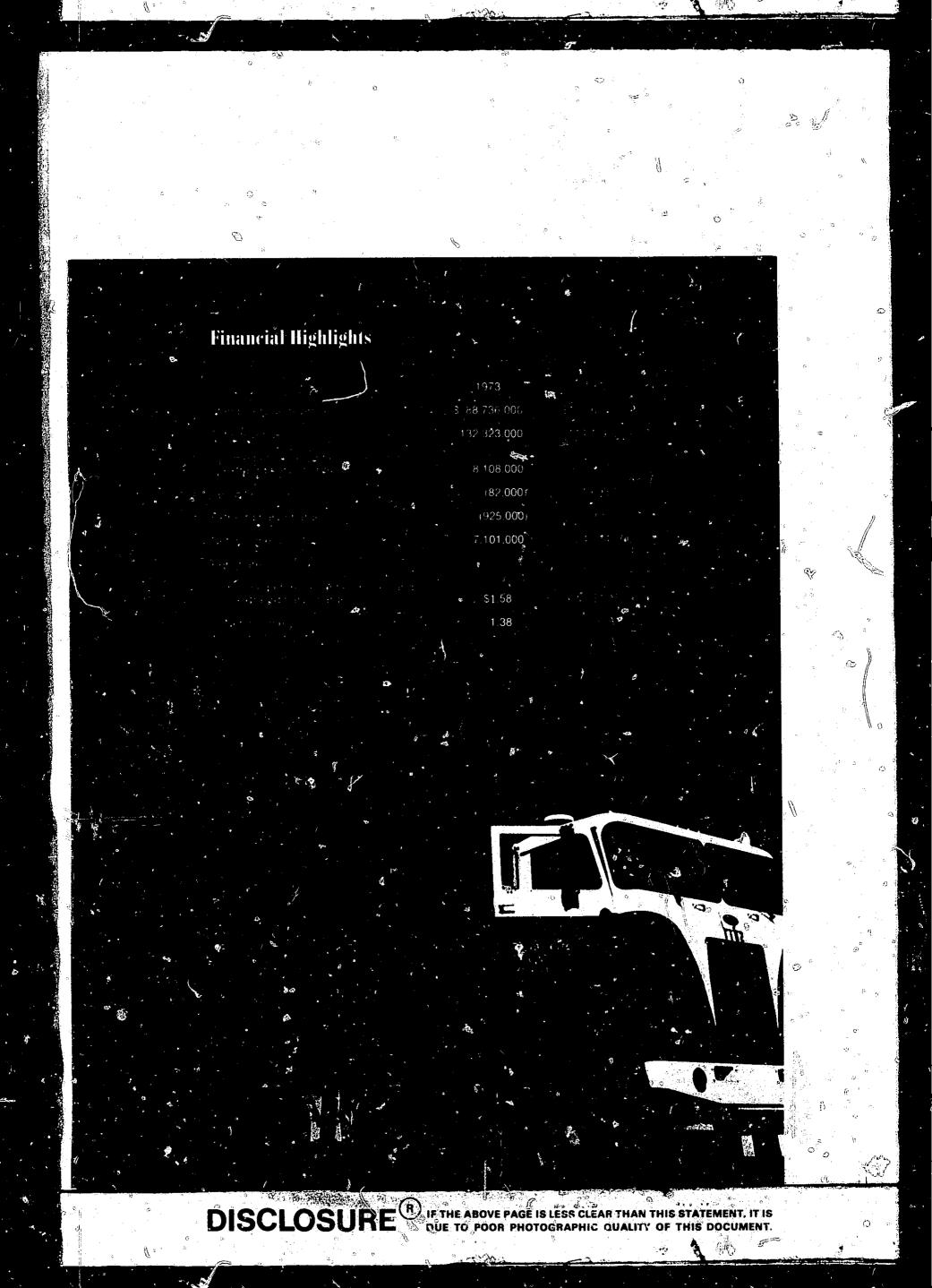
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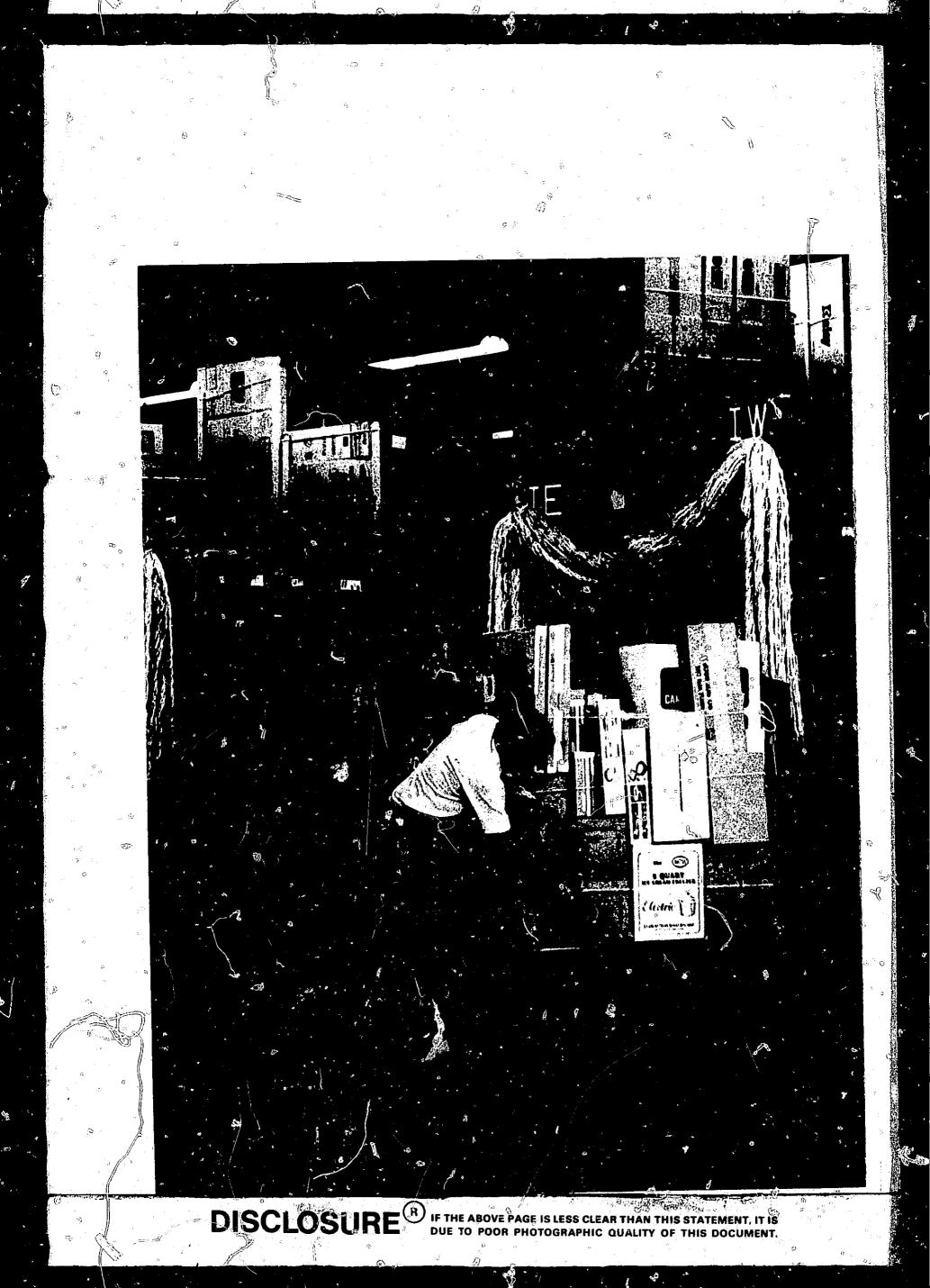
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### ,-Transfer Agents and Registrars

Bank of America, N.T.&S.A. Los Angeles Bankers Trust Company New York

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## To Our Stockholders

Net income increased to \$1.38 per share for the current fiscal year from \$.82 for the prior year. Income before securities losses and extraordia nary charges amounted to \$1.58 and \$1.15 per share, respectively.

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The increase in earnings was achieved in spite of a 12% decline in stamp service revenues from \$100,622,000 to \$88,736,000 currently. This decline reflects additional losses of supermarket business and a reduction in multiple stamping by service station operators. We do not expect stamp service volume to level off (or turn upward in the near future.)

Total revenues amounted to \$132,323,000 including \$32,049,000 from sales of See's candy. Last year's total revenues of \$114,102,000 included only \$4,104,000 of See's sales due to our acquisition of the candy business late in the fiscal year.

Although our incentive sales are still relatively small, \$3,624,000, we are pleased with this year's performance and look forward to further growth.  $\mathcal{P}_{0}$ 

Net losses-on sales of securities declined from \$1,693,000 or \$.33 per share to \$82,000 or \$.02 per share. The losses were incurred as part of our program of restructuring marketable securities with emphasis on after-tax yields and sound values. The restructuring is now substantially complete.

The extraordinary charges, which amounted to \$925,000 or \$.18 per share after income taxes, represented complete settlement of eleven civil lawsuits.

As required in a 1967 consent judgment, in June 1972 the Company submitted to the United States District Court a plan to offer for sale onethird of its California trading stamp business located within a contiguous geographical area in Southern California. In January 1973 the court disapproved the plan, ordered the Company to continue efforts to negotiate a sale and called for the appointment of an independent expert witness to study the feasibility of a sale or spin-off under existing market conditions. We believe that a sale or spin-off, if consummated, might have a materially adverse effect on our ability to conctinue in the trading stamp business.

We were truly seddened by Mr. Charles J. Futterman's recent resignation as a member of our board of directors to concentrate on other activities. Mr. Futterman has been associated with Blue Chip as director, counselor and friend since 1958.

The board of directors, as provided for in our by eves, reduced the size of the board from eleven to ten members.

During the past several months we have acquired justour, Jer 25% of the outstanding common stock of Wesco Financial Corporation and have applied to federal and state regulatory authorities for permission to increase our holdings beyond 25%. Wesco's principal subsidiary, Mutual Savings and Loan Association, operates at seven locations in Southern California.

்ரு Cordially yours,

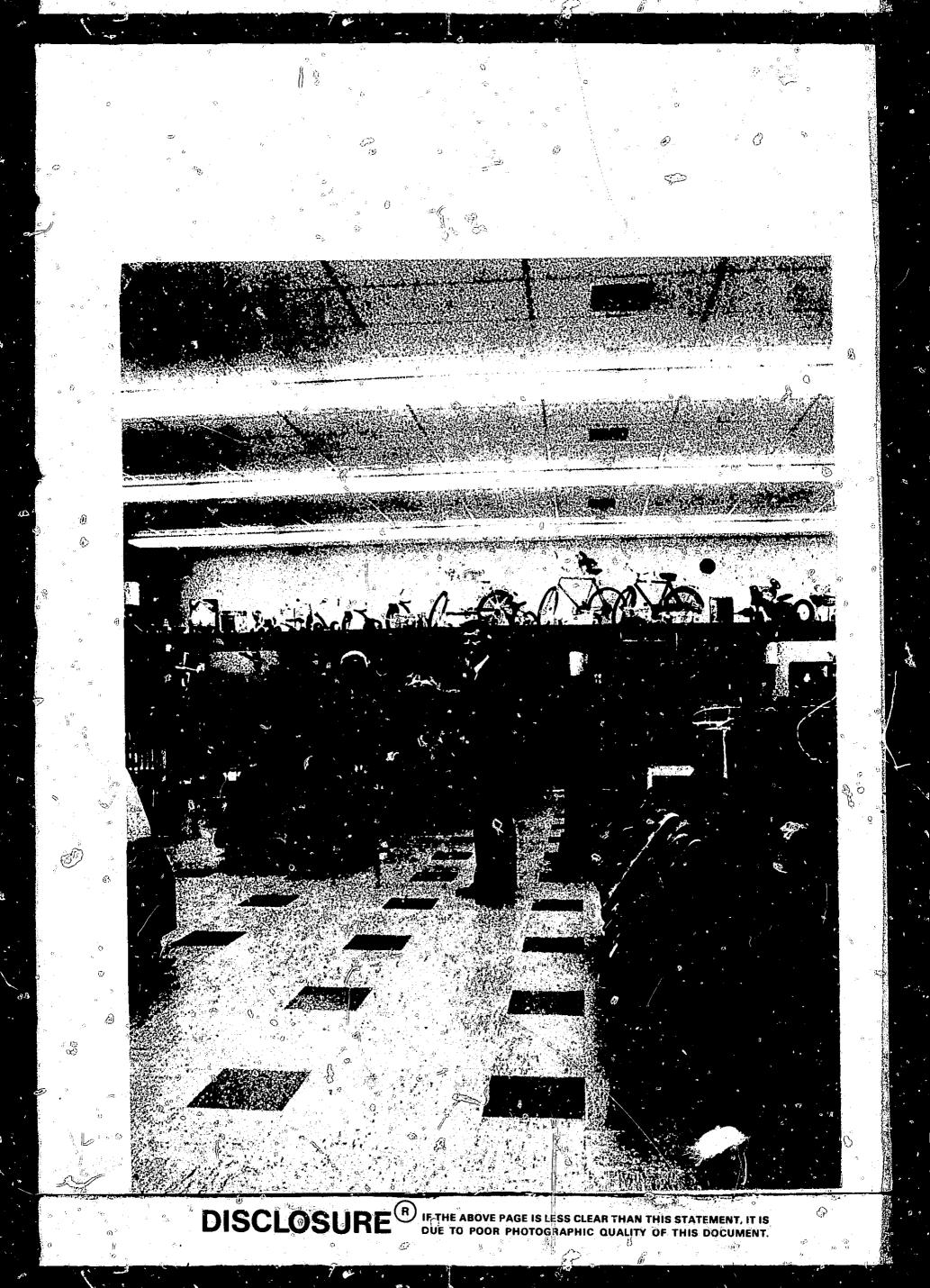
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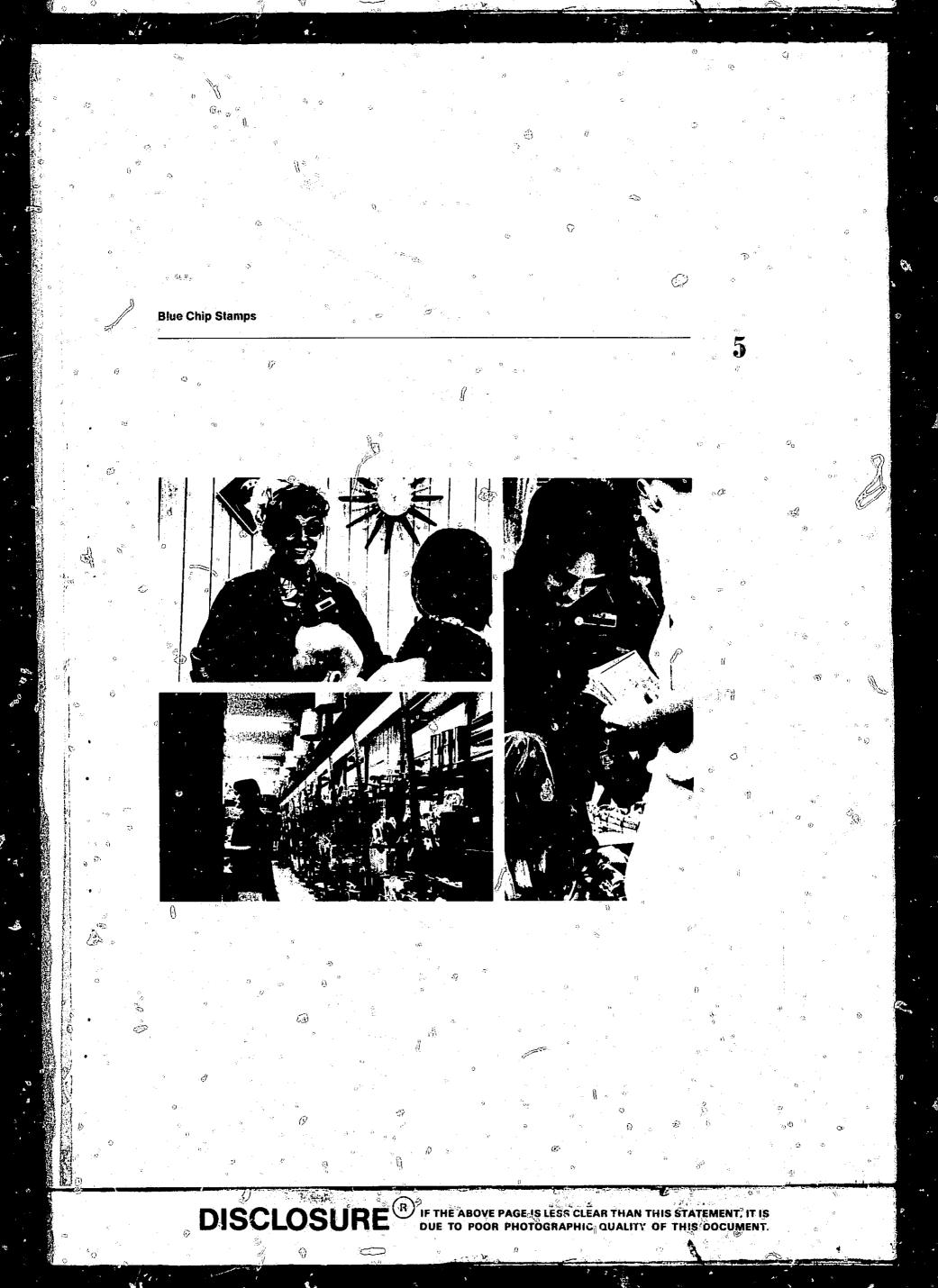
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Chairman of the Board and President April 6, 1973

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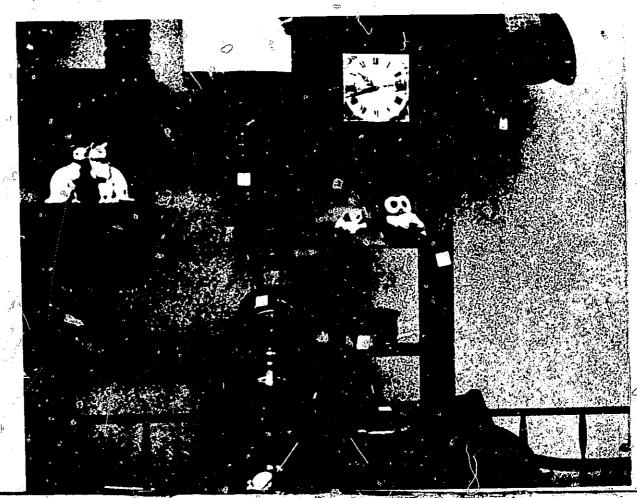
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|---------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|-------------------------|------------------------------------------|
| Comparative Summa                                                                     | ry = the                              | у.<br>                                | a                       | . <u>.</u>                               |
|                                                                                       | 3/3/73                                | 3/4/72                                | i∛ 2/27/71              | 2/28/70                                  |
| Total for the Fiscal Year                                                             | 5 10 10<br>15                         | -2                                    |                         | · · · · · · · · · · · · · · · · · · ·    |
| Stamp service revenues                                                                | \$ 88,736,000                         | \$100,622,000                         | \$118,374,000           | \$124,180,000                            |
| Total revenues                                                                        | * 132,323,000                         | 114,102,000                           | 127,784,000             | ) 132,020,000                            |
| Income before securities<br>gains (losses) and<br>extraordinary charges               | 8,1 <sup>0</sup> 8,000                | 5,907,000                             | 8,739,000               |                                          |
| Securities gains (losses)                                                             | (82,000)                              | (1,693,000)                           | (155,000                | 10 III III III III III III III III III I |
| Extraordinary charges                                                                 | (925,000)<br>7,101,000                | 4,214,000                             | 8,584,000               | (378,000)<br>0 7,387,000                 |
| Total at Fiscal Year End                                                              | <u></u>                               | ت به م <del>ر</del> د                 | ê                       |                                          |
| Total assets<br>Stockholders' equity                                                  | 199,724,000<br>53,125,000             | 490;740,000<br>46,381,000             | 148,422,00<br>43,296,00 |                                          |
| Average Shares Outstanding*                                                           | 5,069,000                             | 5,028,000                             | 4,957,00                | 0 4,877,000                              |
| Per Share*                                                                            |                                       | <del>ر</del> ال                       | т. <sub>11</sub> . 4    | ~ 0. (6)                                 |
| Income before securities<br>gains (losses) and<br>extraordinary charges<br>Net income | الا<br>1.38 ي                         | ہ<br>1.15<br>9.82                     | \$1.7<br>\$1.6          |                                          |

Adjusted for 5-for-1 stock split, October 1969.



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|                        |                                                                                                                 |                                         | 5<br>19                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 4                                     | ·            |
|------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------|
| 3/1/69                 | 3/2/68                                                                                                          | °3/4/67                                 | 2/26/66                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 2/27/65                               | 2/29/64      |
|                        |                                                                                                                 | <u></u>                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <u></u>                               |              |
| \$107,602,000          | \$91,097,000                                                                                                    | \$91,209,000                            | \$81,065,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | \$71,969,000                          | \$68,615,000 |
| 112,151,000            | 94,574,000 👘                                                                                                    | 94,760,000                              | 83,772,000°                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 74,256,000                            | 70,360,000   |
| 19 4 - 2<br>17 4 - 2   | · · · · · · · · · · · · · · · · · · ·                                                                           |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 4 - 1<br>                             | د :<br>ب     |
| ້<br>5,415,000         | 3,333,000                                                                                                       | 4,365,000                               | 4,444,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2,276,000                             | 1,722,000    |
| 229,000                | se 85,000 👳                                                                                                     | (81,000) @                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 228,000                               | 93,000       |
| (3,651,000)            | × . —                                                                                                           | — · · · · · · · · · · · · · · · · · · · |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | e <u></u>                             | <u> </u>     |
| · 1,993,000            | 3,418,000                                                                                                       | 4,284,000                               | 4,466,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2,504,000                             | 1,815,000    |
| (1                     | James Contraction of the second se | is h d                                  | At the second se |                                       | @            |
| 123,796,000            | 95,772,000                                                                                                      | 81,999,000                              | 77,713,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 65,207,000                            | 59,924,000   |
| 28,049,000             | 23,060,000                                                                                                      | 19,487,000                              | 15,202,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 10,736,000                            | 8,232,000    |
| <sup>°</sup> 3,530,000 | 3,108,000                                                                                                       | 3,108,000                               | ° 3,108,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 3,108,000                             | 3,108,000    |
| r                      |                                                                                                                 |                                         | Б. (Д. ).<br>К                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 1                                     |              |
| 9                      | ** 7.                                                                                                           | · · · · · · · · · · · · · · · · · · ·   | · · · · · · · · · · · · · · · · · · ·                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | , <del>.</del>                        |              |
| 8<br>\$1.54 -          | \$1.07                                                                                                          | \$1.41                                  | \$1.43 <sup>474</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | \$_{ <b>\$</b> { <b>⊽</b> 3 e         | \$.55        |
| ° .57                  | 1,10                                                                                                            | 1.38                                    | a <b>1,4</b> 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | ÷,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | ° .58        |

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------------|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------|
| Ϋ o                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | \$                                                                                                                                                                                                                                                                           |          |                        |                                                                                                            | 0                                                                                                     | ла <sub>с</sub> а.                                                                         | -                                      |
| Blue Chip Stamps                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | ີ່ ອີ<br>ເອົ                                                                                                                                                                                                                                                                 | *        | د م<br>به ۲۰<br>(نی ۲۰ | •                                                                                                          |                                                                                                       | ð<br>,                                                                                     |                                        |
| Consolidated Ba                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | lance Sheet                                                                                                                                                                                                                                                                  | e i      | *                      | , <u>.</u> ,                                                                                               |                                                                                                       | - <del>2.,</del>                                                                           |                                        |
| March 3, 1973 and March 4, 19                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 972 (Note 1)                                                                                                                                                                                                                                                                 | <br>c    |                        | -<br>                                                                                                      | · .                                                                                                   | <u>و</u>                                                                                   |                                        |
| Assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                              |          |                        | 197                                                                                                        | 3 Ø                                                                                                   | 1972                                                                                       |                                        |
| Current assets:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 4                                                                                                                                                                                                                                                                            |          | $\theta_{s,s}$         |                                                                                                            |                                                                                                       |                                                                                            |                                        |
| Cash                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Ø                                                                                                                                                                                                                                                                            |          | e<br>d                 | 17 I.                                                                                                      | 6,000                                                                                                 | \$ ,3,988,                                                                                 |                                        |
| Marketable securities (                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | (Notes 3 and 5)                                                                                                                                                                                                                                                              |          |                        | 144,60                                                                                                     |                                                                                                       | 134,731                                                                                    |                                        |
| Accounts receivable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 45.<br>                                                                                                                                                                                                                                                                      |          | õ                      | 4,14                                                                                                       | 8,000                                                                                                 | 4,947,                                                                                     | 00                                     |
| Merchandise and supp                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                              | e lower  |                        | <br>                                                                                                       | 4.000                                                                                                 | (<br>1/107                                                                                 | NO                                     |
| of cost (first-in, first-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | · ·                                                                                                                                                                                                                                                                          |          | o i                    |                                                                                                            | 4,000                                                                                                 | 14,187                                                                                     |                                        |
| Prepaid income taxes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | and other expenses (                                                                                                                                                                                                                                                         | NOLE D)  |                        |                                                                                                            | 2,000                                                                                                 | . 4,057                                                                                    |                                        |
| Total current as                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                              | 1. L     |                        | 170,85                                                                                                     | 1,000                                                                                                 | 161,910,                                                                                   | 00                                     |
| Property, fixtures and equip                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | uipment, at cost, less                                                                                                                                                                                                                                                       | (Note 4) |                        | · 10.79                                                                                                    | 5,000                                                                                                 | 10,933,                                                                                    | 00                                     |
| accumulated deprecia<br>Jnamortized debenture c                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                              | (NOLE 4) | 15                     |                                                                                                            | 7,000                                                                                                 | 1,706                                                                                      |                                        |
| Excess of cost <sup>®</sup> over∈equit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                              | eldiary  | ю –                    | . 1,04                                                                                                     | 7,000                                                                                                 | 0                                                                                          | 00                                     |
| less accumulated amo                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | rtization (Note 1)                                                                                                                                                                                                                                                           | siulary, |                        | 16,74                                                                                                      | 1,000                                                                                                 | 16,191,                                                                                    | 00                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 5) <sup>- 5</sup>                                                                                                                                                                                                                                                            |          | <i></i>                | \$199,72                                                                                                   | 4,000                                                                                                 | \$190,740                                                                                  | 00                                     |
| <u></u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <u> </u>                                                                                                                                                                                                                                                                     |          |                        |                                                                                                            |                                                                                                       |                                                                                            |                                        |
| 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                              |          | <i>lt</i>              | 9                                                                                                          | . 5                                                                                                   |                                                                                            |                                        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | (B)                                                                                                                                                                                                                                                                          | e.       | п. с.                  | I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I<br>I                | . á                                                                                                   | · · · ·                                                                                    |                                        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | A                                                                                                                                                                                                                                                                            |          |                        |                                                                                                            | . ė                                                                                                   |                                                                                            |                                        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | A                                                                                                                                                                                                                                                                            |          |                        |                                                                                                            |                                                                                                       |                                                                                            |                                        |
| iabilities and Stockhol                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | ନ୍ଦି<br>ders' Equity                                                                                                                                                                                                                                                         |          |                        | \$ 8,47                                                                                                    | 6,000                                                                                                 | \$ 7,680                                                                                   | ,00                                    |
| iabilities and Stockhole<br>arrent liabilities:<br>Accounts payable and<br>Note payable to bank                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | ders' Equity                                                                                                                                                                                                                                                                 | Q        |                        | \$ 8,47<br>1,00                                                                                            | 6,000                                                                                                 |                                                                                            |                                        |
| iabilities and Stockhole<br>arrent liabilities:<br>Accounts payable and<br>Note payable to bank<br>Currentsportion of long                                                                                                                                                                                                                                                                                                                                                                                                                                                   | ders' Equity<br>accrued expenses<br>g-term debt                                                                                                                                                                                                                              |          |                        | \$ 8,47                                                                                                    | 6,000<br>0,000<br>i1,000                                                                              | <br>5,452                                                                                  | ,00                                    |
| iabilities and Stockhol<br>furrent liabilities:<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable                                                                                                                                                                                                                                                                                                                                                                                                                           | b<br>ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)                                                                                                                                                                                                             | Q        |                        | \$ 8,47                                                                                                    | 6,000<br>0,000<br>1,000<br>7,000                                                                      | 5,452<br>2,698                                                                             | ,00,<br>,00                            |
| iabilities and Stockhole<br>arrent liabilities:<br>Accounts payable and<br>Note payable to bank<br>Currentsportion of long                                                                                                                                                                                                                                                                                                                                                                                                                                                   | b<br>ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)                                                                                                                                                                                                             | Q        |                        | \$ 8,47                                                                                                    | 6,000<br>0,000<br>i1,000                                                                              | <br>5,452                                                                                  | ,00,<br>,00                            |
| iabilities and Stockhol<br>furrent liabilities:<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable                                                                                                                                                                                                                                                                                                                                                                                                                           | b<br>ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (No                                                                                                                                                                                    | Q        |                        | \$ 8,47                                                                                                    | 6,000<br>10,000<br>11,000<br>27,000<br>11,000                                                         | 5,452<br>2,698                                                                             | ,00,<br>,00,                           |
| iabilities and Stockhole<br>arrent liabilities:<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem                                                                                                                                                                                                                                                                                                                                                                                                 | b<br>ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (No<br>abilities                                                                                                                                                                       | Q        |                        | \$ 8,47                                                                                                    | 6,000<br>10,000<br>11,000<br>27,000<br>11,000                                                         | 5,452<br>2,698<br>89,245                                                                   | ,00,<br>,00,                           |
| iabilities and Stockhole<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem<br>Total cuffent lin                                                                                                                                                                                                                                                                                                                                                                                                   | ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (No<br>abilities                                                                                                                                                                            | Q        |                        | \$ 8,47<br># 1,00<br>5,75<br>4,02<br>93,35<br>* (12,60                                                     | 6,000<br>10,000<br>11,000<br>27,000<br>11,000                                                         | 5,452<br>2,698<br>89,245                                                                   | ,00,<br>,00,<br>,00                    |
| iabilities and Stockhole<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem<br>Total cuffent lin<br>Long-term debt (Note 5)                                                                                                                                                                                                                                                                                                                                                                        | ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (No<br>abilities<br>:<br>less current-portion                                                                                                                                               | Q        |                        | \$ 8,47<br>1,00<br>5,75<br>4,02<br>93,35<br>23,00                                                          | 6,000<br>0,000<br>i1,000<br>27,000<br>i1,000                                                          | 5,452<br>2,698<br>89,245<br>105,075                                                        | 00,<br>00,<br>00,<br>00,               |
| iabilities and Stockhole<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem<br>Total current lin<br>Long-term debt (Note 5)<br>Note payable to bank,                                                                                                                                                                                                                                                                                                                                               | ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (No<br>abilities<br>:<br>less current-portion<br>Debentures due, 1978                                                                                                                       | Q        |                        | \$ 8,47<br># 1,00<br>5,75<br>4,02<br>93,35<br>23,00<br>10,84                                               | 6,000<br>0,000<br>1,000<br>27,000<br>1,000<br>5,000                                                   | 5,452<br>2,698<br>89,245<br>105,075<br>27,259                                              | 00,<br>00,<br>00,<br>00,               |
| iabilities and Stockhold<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem<br>Total current ling<br>Long-term debt (Note 5)<br>Note payable to bank,<br>6¾% Subordinated D                                                                                                                                                                                                                                                                                                                        | ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (No<br>abilities<br>:<br>less current-portion<br>Debentures due, 1978                                                                                                                       | ote 2)   |                        | \$ 8,47<br># 1,00<br>5,75<br>4,02<br>93,35<br>2,12,60<br>2,3,00<br>10,84<br>                               | 6,000<br>0,000<br>1,000<br>27,000<br>51,000<br>5,000<br>94,000                                        | 5,452<br>2,698<br>89,245<br>105,075<br>27,259<br>10,840                                    | 00,<br>00,<br>00,<br>00,<br>00,        |
| iabilities and Stockhole<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem<br>Total cuffent lin<br>Long-term debt (Note 5)<br>Note payable to bank,<br>6¾ % Subordinated D<br>Total long-term<br>Minority interest in subsi                                                                                                                                                                                                                                                                       | ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (No<br>abilities<br>:<br>less current-portion<br>Debentures due 1978<br>n debt <sup>22</sup><br>diaty (Note 1)<br>otes 5, 7 and 11):                                                        | ote 2)   |                        | \$ 8,47<br># 1,00<br>5,75<br>4,02<br>93,35<br>2,12,60<br>2,3,00<br>10,84<br>                               | 6,000<br>0,000<br>1,000<br>51,000<br>5,000<br>94,000<br>0,000                                         | 5,452<br>2,698<br>89,245<br>105,075<br>27,259<br>10,840<br>38,099                          | 00,<br>00,<br>00,<br>00,<br>00,        |
| iabilities and Stockhole<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem<br>Total cuifent lin<br>Long-term debt (Note 5)<br>Note payable to bank,<br>6¾% Subordinated D<br>Total long-term<br>Minority interest in subsi                                                                                                                                                                                                                                                                        | ders' Equity<br>ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (Note<br>abilities<br>:<br>less current-portion<br>bebentures due, 1978<br>in debt <sup>27</sup><br>diaty (Note 1)<br>bites 5, 7 and 11):<br>alue \$1,00                    | ote 2)   |                        | \$ 8,47<br># 1,00<br>5,75<br>4,02<br>93,35<br>23,00<br>10,84<br>33,84<br>15                                | 6,000<br>0,000<br>1,000<br>51,000<br>5,000<br>94,000<br>0,000                                         | 5,452<br>2,698<br>89,245<br>105,075<br>27,259<br>10,840<br>38,099<br>1,185                 | 00,<br>00,<br>00,<br>00,<br>00,        |
| iabilities and Stockhole<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem<br>Total cuffent lin<br>Long-term debt (Note 5)<br>Note payable to bank,<br>6¾ % Subordinated D<br>Total long-term<br>Minority interest in subsi<br>Stockholders' equity (No<br>Common stock, par va<br>Shares authorized –                                                                                                                                                                                            | ders' Equity<br>ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (Note<br>abilities<br>:<br>less current-portion<br>bebentures due, 1978<br>in debt <sup>27</sup><br>diaty (Note 1)<br>bites 5, 7 and 11):<br>alue \$1,00                    | ote 2)   |                        | \$ 8,47<br>1,00<br>5,75<br>4,02<br>93,35<br>12,60<br>23,00<br>10,84<br>33,84<br>15                         | 6,000<br>0,000<br>1,000<br>51,000<br>5,000<br>94,000<br>0,000                                         | 5,452<br>2,698<br>89,245<br>105,075<br>27,259<br>10,840<br>38,099<br>1,185                 | 00,<br>00,<br>00,<br>00,<br>00,<br>00, |
| iabilities and Stockhold<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem<br>Total cuffent lin<br>Long-term debt (Note 5)<br>Note payable to bank,<br>6¾ % Subordinated D<br>Total long-term<br>Minority interest in subsi<br>Stockholders' equity (Note<br>Common stock, par va<br>Shares authorized –                                                                                                                                                                                          | ders' Equity<br>ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (Note<br>abilities<br>:<br>less current-portion<br>Debentures due 1978<br>in debt <sup>22</sup><br>diaty (Note 1)<br>Detes 5, 7 and 11):<br>alue \$1.00<br>-7,000,000       | ote 2)   |                        | \$ 8,47<br>1,00<br>5,75<br>4,02<br>93,35<br>2,12,60<br>10,84<br>33,84<br>15                                | 6,000<br>0,000<br>1,000<br>1,000<br>5,000<br>5,000<br>04,000<br>14,000<br>50,000                      | 5,452<br>2,698<br>89,245<br>105,075<br>27,259<br>10,840<br>38,099<br>1,185                 | 00,<br>00,<br>00,<br>00,<br>00,<br>00, |
| iabilities and Stockhold<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem<br>Total current ling<br>Total current ling<br>Stockholders' equity (Note<br>Shares authorized –<br>Shares outstanding                                                                                                                                                                                                                                                                                                 | ders' Equity<br>ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (Note<br>abilities<br>:<br>less current-portion<br>Debentures due 1978<br>in debt <sup>22</sup><br>diaty (Note 1)<br>Detes 5, 7 and 11):<br>alue \$1.00<br>-7,000,000       | ote 2)   |                        | \$ 8,47<br>1,00<br>5,75<br>4,02<br>93,35<br>23,00<br>10,84<br>23,00<br>10,84<br>33,84<br>11<br>5,11<br>1,5 | 6,000<br>0,000<br>1,000<br>7,000<br>5,000<br>5,000<br>4,000<br>6,000<br>4,000<br>6,000                | 5,452<br>2,698<br>89,245<br>105,075<br>27,259<br>10,840<br>38,099<br>1,185<br>6 5,039      | 00,<br>00,<br>00,<br>00,<br>00,<br>00, |
| iabilities and Stockhold<br>Accounts payable and<br>Note payable to bank<br>Current portion of long<br>Income taxes payable<br>Liability for unredeem<br>Total current liability for unredeem<br>Total current liability for unredeem<br>Total current liability for unredeem<br>Total current liability for unredeem<br>Total long-term debt (Note 5)<br>Note payable to bank,<br>6¾ % Subordinated D<br>Total long-term<br>Minority interest in subsi<br>Stockholders' equity (Not<br>Common stock, par va<br>Shares authorized –<br>Shares outstanding<br>Paid-in capita] | ders' Equity<br>accrued expenses<br>g-term debt<br>(Note 6)<br>ed trading stamps (Note<br>abilities<br>:<br>less current-portion<br>Debentures due 1978<br>n debt <sup>24</sup><br>diary (Note 1)<br>thes 5, 7 and 11):<br>alue \$1.00<br>-7,000,000<br>- 5,179,000 and 5,03 | ote 2)   |                        | \$ 8,47<br>1,00<br>5,75<br>4,02<br>93,35<br>23,00<br>10,84<br>33,84<br>15<br>5,17<br>1,5<br>46,30          | 6,000<br>0,000<br>1,000<br>27,000<br>5,000<br>5,000<br>04,000<br>60,000<br>14,000<br>50,000<br>79,000 | 5,452<br>2,698<br>89,245<br>105,075<br>27,259<br>10,840<br>38,099<br>1,185<br>6,039<br>862 |                                        |

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See accompanying notes to consolidated financial statements

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DISCLOSURE IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT, IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT.

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|---------------------------------------------------------------------------------|--------------------------|----------------------------------------|
| Consolidated Statement of Income                                                | e<br>De co               |                                        |
| Filty-two Weeks Ended March 3, 1973 and Filty-three Weeks Ended March 4, 1972 ( | Note 1)                  | 8                                      |
|                                                                                 | 1973                     | 1972                                   |
| Revenues:                                                                       | ÷                        |                                        |
| Stamp service revenues (Note 2)                                                 | \$ 88,736,000            | \$100,622,000                          |
| Incentive sales 🦛 🤉                                                             | 3,624,000                | 2,145,000                              |
| Candy sales 📎 🗞 🔊                                                               | 32,049,000               | 4,104,000                              |
| <ul> <li>Interest and dividends</li> </ul>                                      | 7,315,000                | 6,359,000                              |
| Other                                                                           | 599,000                  | 872,000                                |
|                                                                                 | 132,323,000              | ∞114,102,000                           |
| Costs and expenses:                                                             | 5                        |                                        |
| Cost of redemptions and sales (Note 2)                                          | 95,662,000               | 93,791,000                             |
| Selling, general and administrative expenses                                    | 21,729,000               | 10,917,000                             |
| Interest and discount amortization                                              | 2,996,000                | 1,292,000                              |
| а<br>а                                                                          | 120,387,000              | 106,000,000                            |
| Income before income taxes, securities losses and                               | 11,936,000               | 8,102,000                              |
| extraordinary charges<br>Provision for income taxes (Nole 6)                    |                          | 2,195,000                              |
|                                                                                 | 3,828,000                |                                        |
| Income before securities losses and extraordinary charges                       | <sup>⊗</sup> ₀ 8,108,000 | 5,907,000                              |
| Securities losses less applicable income tax effect (Note 6)                    | (82,000)                 | (1,693,000                             |
| Extraordinary charges (Note 11)                                                 | (925,000)                | ø –                                    |
| Net income                                                                      | \$ 7,101,000             | \$ 4,214,000                           |
| Per share (Note 8):                                                             |                          |                                        |
| Income before securities losses and extraordinary charges                       | \$1.58 <sup>°°</sup>     | \$1.15                                 |
| Securities losses                                                               | (.02)                    | (.33)                                  |
| Extraordinary charges                                                           | o <b>(.18)</b>           |                                        |
| Net income                                                                      | \$1.38                   | \$ .82                                 |
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# **Censolidated Statement of Stockholders' Equity**

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**Blue Chip Stamps** 

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| Fifty-two Weeks Ended March 3, 1973 and Fifty-three Weeks | s Ended March  | 4, 1972            | 2 <u>(</u> 3       |                      |
|-----------------------------------------------------------|----------------|--------------------|--------------------|----------------------|
|                                                           | Comm<br>Shares | on Stock<br>Amount | Paid-in<br>Capital | Retained<br>Earnings |
| Balance at February 27, 1971                              | 5,026,000      | \$5,026,000        | \$ 796,000         | \$37,474,000         |
| Exercise of stock options                                 | 13,000         | 13,000             | 66,000             | <u> </u>             |
| Cash dividends of \$.24 per share                         |                | · · ·              | ° <u>-</u> ^       | (1,208,000)          |
| Net income                                                |                | -                  |                    | 4,214,000            |
| Balance at March 4, 1972                                  | 5,039,000      | َ<br>5,039,000     | 862,000            | • 40,480,000         |
| Êxercise of stock options (Note 7)                        | 140,000        | 140,000            | 717,000            |                      |
| Cash dividends of \$.24 per share (Note 5) $^{9}$         | ·              |                    | , w <u>–</u> *·    | (1,214,000)          |
| Net income                                                | ·              | <u> </u>           |                    | 7,101,000            |
| Balance at March 3, 1973                                  | 5,179,000      | \$5,179,000        | \$1,579,000        | \$46,367,000         |

See accompanying notes to consolidated financial statements

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# **Consolidated Statement of Changes in Financial Position**

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Fifty-two Weeks Ended March 3, 1973 and Fifty-three Weeks Ended March 4, 1972 (Note 1)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1973                                                                                      | 1972                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Norking capital was provided by:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                           |                                                            |
| Income before extraordinary charges                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$ 8,026,000                                                                              | \$ 4,214,000                                               |
| Income charges not affecting working capital:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                           |                                                            |
| Depreciation and amortization                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 2,141,000                                                                                 | 1,351,000                                                  |
| Minority interest in net income of subsidiary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 35,000                                                                                    | 43,00                                                      |
| Working capital provided by operations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 10,202,000                                                                                | 5,608,00                                                   |
| Note payable to bank (long-term portion)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1,496,000                                                                                 | 27,259,00                                                  |
| Exercise of stock options                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 857,000                                                                                   | 79,00                                                      |
| Minority interest in subsidiary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (1,070,000)                                                                               | 1,142,00                                                   |
| 5 9 4 <sup>1</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 11,485,000                                                                                | 34,088,00                                                  |
| Norking capital was used for:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | - 10                                                                                      |                                                            |
| Excess of cost over equity in net assets of subsidiary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 978,000                                                                                   | 16,245,00                                                  |
| Property additions, net, including \$6,602,000 in 1972                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | n<br>La desta                                                                             |                                                            |
| relating to acquisition of subsidiary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 1,206,000                                                                                 | 7,652,00                                                   |
| Payment of dividends                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 1,214,000                                                                                 | 1,208,00                                                   |
| Transfer of long-term debt to short-term debt                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 5,751,000                                                                                 |                                                            |
| Extraordinary charges (Note 11)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 925,000                                                                                   | · · · · · · · · · · · · · · · · · · ·                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 10,074,000                                                                                | 25,105,00                                                  |
| ncrease in working capital, including \$11,006,000 in<br>1972 of working capital of subsidiary at acquisition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | \$ 1,411,000                                                                              | \$ 8,983,00                                                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Ŵ                                                                                         |                                                            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                           | 10 · · ·                                                   |
| $= \int_{\mathbb{R}^{n}} g \left[ \frac{1}{2} - \frac{1}{2} \frac{1}{2} + \frac{1}{2} \frac{1}{2} \frac{1}{2} + \frac{1}{2} \frac{1}{2} \frac{1}{2} + \frac{1}{2} \frac{1}{2} \frac{1}{2} \frac{1}{2} + \frac{1}{2} \frac{1}{2$ |                                                                                           | Ř 👕                                                        |
| noreases (decreases) in components of working capital:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                           | 9 C                                                        |
| Cash                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$ 208,000                                                                                | \$ 3,457,00                                                |
| o dott                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                           | o. 500/00                                                  |
| Marketable securities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 9,870,000                                                                                 | 21,563,00                                                  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                           |                                                            |
| Marketable securities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 9,870,000                                                                                 | (2,846,00                                                  |
| Marketable securities<br>Accounts receivable<br>Inventories                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 9,870,000<br>(799,000)»                                                                   | 21,563,00<br>(2,846,00<br>(3,010,00<br>608,00              |
| Marketable securities<br>Accounts receivable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 9,870,000<br>// (799,000)<br>(1,073,000)                                                  | (2,846,00<br>(3,010,00                                     |
| Marketable securities<br>Accounts receivable<br>Inventories<br>Prepaid income taxes and other expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 9,870,000<br>(799,000)<br>(1,073,000)<br>735,000                                          | (2,846,00<br>(3,010,00<br>ē08,00                           |
| Marketable securities<br>Accounts receivable<br>Inventories<br>Prepaid income taxes and other expenses<br>Accounts payable and accrued expenses<br>Note payable to bank (short-term)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 9,870,000<br>(799,000)∖∖<br>(1,073,000)<br>735,000<br>(796,000)                           | (2,846,00<br>(3,010,00<br>ē08,00                           |
| Marketable securities<br>Accounts receivable<br>Inventories<br>Prepaid income taxes and other expenses<br>Accounts payable and accrued expenses<br>Note payable to bank (short-term)<br>Current portion of long-term debt                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 9,870,000<br>(799,000)»<br>(1,073,000)<br>735,000<br>(796,000)<br>(1,000,000)             | (2,846,00<br>(3,010,00<br>608,00<br>(2,284,00              |
| Marketable securities<br>Accounts receivable<br>Inventories<br>Prepaid income taxes and other expenses<br>Accounts payable and accrued expenses<br>Note payable to bank (short-term)<br>Current portion of long-term debt                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 9,870,000<br>(799,000)<br>(1,073,000)<br>735,000<br>(796,000)<br>(1,000,000)<br>(299,000) | (2,846,00<br>(3,010,00<br>608,00<br>(2,284,00<br>(5,452,00 |

See accompanying notes to consolidated financial statements

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### Notes to Consolidated Financial Statements

### NOTE 1 --- Subsidiary company:

The consolidated financial statements include the accounts of the Company and of its majority-o owned subsidiary, See's Candy Shops, Incorporated ("See's"), from date of acquisition. On January 3, 1972, the Company acquired 67% of the common stock of See's. As a result of an "invitation for tenders and subsequent purchases, ownership was increased to 93% through March 4, 1972 and to 99% through March 3, 1973, for a total cost of \$34,661,000. The acquisition has been recorded as a purchase. The excess of cost over equity in underlying net assets is being amortized over 40 years; amortization amounted to \$428,000 and \$54,000 for the fiscal years ended March 3, 1973 and March 4, 1972.

The following pro-form results of operations for the fiscal year ended March 4, 1972, which are furnished solely to comply with a requirement of the Accounting Principles Board, assume that the Company owned 99% of See's for such fiscal year:

| Total revenues                  |              | \$140,240,000 |
|---------------------------------|--------------|---------------|
| Income before securities losses |              | 6,754,000     |
| Net income                      |              | 5,061,000     |
| Per share:                      |              | */            |
| Income before securities losses | -l .         | \$1.32        |
| Net income                      | and a second | .99,          |

#### NOTE 2 - Stamp service accounting:

The Company recognizes stamp service revenues upon issuance of its trading stamps and provides a liability account for unredeemed trading stamps consisting of the cost of merchandise and related redemption expenses. For a number of years the Company has made statistical evaluations of its redemptions. Based upon analysis of such evaluations, the Company presently estimates that 97.5% of all stamps issued will ultimately be redeemed. The liability for unredeemed trading stamps of \$93,351,000 at March 3, 1973 included \$77,354,000 for the cost of merchandise and \$15,997,000 for redemption expenses.

### NOTE 3 - Marketable securities:

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Following is a summary of marketable securities, which are stated at cost (less amortization of bond premium):

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| A                                                          | \$<br>        | S (           |
|------------------------------------------------------------|---------------|---------------|
| 2                                                          | Cost 🐰        | Market Value  |
| March 3, 1973 —<br>Short-term investments<br>Preferred and | \$,21,298,000 | S 21,298,000  |
| common-stocks                                              | 123,303,000   | 127,004,000   |
| a ang ang ang ang ang ang ang ang ang an                   | \$144,601,000 | \$148,302,000 |
| March 4, 1972 —                                            |               | W BY          |
| Short-term investments State and                           | \$ 20,940,000 | \$ 20,958,000 |
| municipal bonds<br>Preferred and                           | 17,335,000    | 13,372,000    |
| common stocks                                              | 96,456,000    | 97,409,000    |
|                                                            | \$134,731,000 | \$131,739,000 |

At March 3, 1973 the Company owned 21.9% of the outstanding shares of Wesco Financial Corporation common stock at a cost of \$8,099,000 and has subsequently increased its ownership to 24.9% through April 6, 1973. The Company is presently seeking permission of Federal and California regulatory authorities to increase such ownership beyond 25%.

| NOTE 4 – Property, fixtures and equipment:<br>Following is a summary of property, fixtures and<br>equipment: |              |              |  |  |
|--------------------------------------------------------------------------------------------------------------|--------------|--------------|--|--|
|                                                                                                              |              |              |  |  |
| Land                                                                                                         | \$ 2,900,000 | \$ 2,900,000 |  |  |
| Buildings                                                                                                    | 5,703,000    | 5,572,000    |  |  |
| Furniture, fixtures                                                                                          |              | -            |  |  |
| and equipment                                                                                                | 8,957,000    | 8,897,000    |  |  |
| Leasehold improvements                                                                                       | 4,116,000    | 3,406,000    |  |  |
| · · · · · · · · · · · · · · · · · · ·                                                                        | 21,676,000   | 20,775,000   |  |  |
| Less accumulated depreci-                                                                                    | ,<br>A       |              |  |  |
| ation and amortization                                                                                       | 10,891,000   | 9,842,000    |  |  |

| ation and amoniza | anon | 10,091,000   | 9,042,000   |
|-------------------|------|--------------|-------------|
|                   |      | \$10,785,000 | \$10,933,00 |
|                   |      |              |             |

Depreciation and amortization of property, fixtures and equipment are provided by straightline and accelerated methods over the estimated useful lives of the assets. Total provisions amounted to \$1,354,000 and \$932,000 for the fiscal years ended March 3, 1973 and March 4, 1972.

### NOTE 5 - Long-term debt:

The debentures are subordinated to senior indebtedness as defined in the underlying indenture, as supplemented on May 15, 1972. At least 20% of the debentures must be paid to a sinking fund annually beginning December 1, 1974, and the Company may redeem or acquire debentures after December 1, 1974. Under the terms of the

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indenture, as so supplemented, the Company is permitted to pay cash dividends in any fiscal year in an amount not to exceed the greater of (a) 24 cents per share or (b) 25% of the net income for the preceding fiscal year. Dividends may not be paid if the Company is in arrears in any sinking fund payments. On May 15, 1972 the interest rate on the debentures was changed from  $6\frac{1}{2}$ % to  $6\frac{3}{4}$ %.

The long-term bank loan at March 3, 1973 is repayable \$5,751,000 in January 1974 and the balance in January 1975. Interest is payable quarterly at one-quarter to one-half per cent above prime rate. In addition to the stock of See's, securities having an aggregate market value of approximately two-thirds the unpaid balance are pledged as collateral. Under the most restrictive covenants of the loan agreement, total unsubordinated long-term debt (including the Joan) may not exceed the sum of stockhoiders' equity and subordinated debt, and the company's current liabilities may not exceed the aggregate of cash, marketable securities and merchandise inventory.

#### NOTE 6 - Income taxes:

Prepaid income taxes of \$3,802,000 and \$2,951,000 at March 3, 1973 and March 4, 1972 result primarily from deducting certain redemption expenses for income tax reporting purposes when stamps are redeemed and for financial reporting purposes when stamps are issued. The net increase in prepaid income taxes resulting from timing differences amounted to \$851,000 and \$36,000 for the fiscal years ended March 3, 1973 and March 4, 1972.

Income tax benefits resulting from securities losses amounted to \$3,000 and \$124,000 for the fiscal years ended March 3, 1973 and March 4, 1972.

At March 3, 1973 the Company had capital loss carry-forwards of \$1,674,000 which may be offset against capital gains of \$1,589,000 and \$85,000 through fiscal years ending in 1977 and 1978, respectively.

Investment tax credits, which have not been material, are recognized as the tax benefits are realized.

On May 15, 1972, the Company received a notice of deficiency from the Internal Revenue Service claiming additional taxes of approximately \$7,500,000, excluding interest, for the three years ended February 27, 1971. Of this amount, more than \$5,500,000 results from the Service's contention that the Company has overstated its liability for unredeemed stamps by overestimating the number of stamps issued which will ultimately be redeemed. Since its inception in 1956, the Company's financial statements and tax returns have been prepared on the basis that 97.5% of all stamps issued will ultimately be redeemed. This percentage has been based upon annual statistical evaluations of stamp redemptions. Other items in the notice involve the disallowances of certain expenses. The Company disagrees with the Service's position and accordingly has petitioned the United States Tax Court for a determination that there are no additional federal income taxes due for the year ended February 27, 1971 and prior years."The California Franchise Tax Board is deferring action on proposed assessments which are substantially based on the federal notice.

#### NOTE 7 - Stock options:

Under the Company's qualified stock option plan, options to purchase shares of the Company's common stock were outstanding at March 3, 1973, as follows: 3,000 shares at \$6.10 (which are all currently exercisable); 7,200 shares at \$14,75 (including 5,325 currently exercisable) and 18,000 shares at \$15,1875 which were granted during the current fiscal year. Options for 140,500 shares were exercised at \$6.10 during the fiscal year ended March 3, 1973.

### NOTE 8 - Per share computations:

Per share amounts are based upon the weighted average number of shares of common stock outstanding during the fiscal year adjusted for the dilutive effect of all outstanding stock options. Such dilution is calculated assuming all such options have been exercised and the proceeds used to purchase shares at the average market price during the year.

#### NOTE 9 — Pension plan:

The Company has a noncontributory pension plan which covers employees meeting certain eligibility requirements. Pension costs charged to income include amortization of prior service costs over a thirty-year period and are funded annually. The cost of the plan for the fiscal years ended March 3, 1973 and March 4, 1972 amounted to \$300,000 and \$450,000. At March 3, 1973 the liability for unfunded prior service costs amounted to \$384,000.

### NOTE 10 - Long-term lease commitments:

At March 3, 1973, minimum annual rental commitments under leases expiring through 1991 amounted to \$2,721,000, excluding taxes, insurance and other expenses payable directly by the Company.

13

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### NOTE 11 - Legal proceedings:

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During the year ended March 3, 1973, the Company settled eleven lawsuits for \$1,923,000. The settlements, less \$998,000 applicable income taxes, were charged against income as extraordinary charges.

Pursuant to a consent final judgment entered in 1967, the Company in June 1972 submitted for approval by the United States District Court a plan to offer for sale one-third of its California trading stamp business located within a contiguous geographical area in Southern California. In January 1973 the court signed an order (1) disapproving said plan, (2) requiring the Company to continue efforts to negotilate a sale and (3) calling for the appointment of an independent expert witness to study the feasibility of a sale or spin-off of a portion of the Company's trading stamp business under existing conditions. The Company believes that such a sale or spin-off, if consummated, would have a materially adverse effect on revenues and earnings and under existing market conditions might have a materially adverse effect on its ability to continue its trading\* stamp business.

The Company is a defendant in a purported class action to recover for stamp savers monies % collected by it as reimbursement<sup>®</sup> for California sales taxes on redemption of stamps. Plaintiffs able and that all reimbursements were excess reimbursements or alternatively that reimbursement collections exceeded the tax properly payable and such excess should be returned. The Company has paid sales taxes to the state equal to its reimbursement collections. The Company has asserted claims against the state for reimbursement of all or part of any recovery by plaintiffs on either of those theories. The complaint was recently amended to allege fraud and to seek punitive damages from the Company. In the opinion of counsel for the Company, substantial defenses are available, but counsel cannot predict the ultimate outcome of the action.

A purported class action was filed on November 10, 1970 against the Company and certain of its present and former stockholders and directors. The complaint was filed on behalf of retailer users of Blue Chip Stamps who failed to purchase stock of Blue Chip Stamps in a 1968 offering to retailer users. The complaint alleges damages to plaintiffs of \$21,400,000, together with exemplary damages of \$25,000,000, interest, attorneys' fees and costs, and prays that plaintiffs have the right to purchase stock, or units of stock and depentures, of Blue Chip Stamps on the terms of the 1968 offering. The action was dismissed with prejudice by the United States District Court and an appeal by the plaintiff is pending. On June 21, 1971 plaintiffs filed a substantially identical action against the same defendants in the Los Angeles County Superior Court, but the Company has not yet been served with process in that action. In the opinion of counsel for the Company, upon the facts known, the complaints are without merit and all defendants should prevail.

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The Company, together with a number of oil companies and supermarket chains, was named as a defendant in an antitrust action filled on July 12, 1971 by a California corporation formerly engaged in the trading stamp business. The complaint seeks treble damages in substantial amounts plus attorneys' fees and costs. The Company has not been served with process, in the opinion of counsel for the Company, upon the facts known, the action is without substantial meril.

## Accountants' Report

Price Waterhouse & Co. Los Angeles, California

April 6, 1973

To the Board of Directors and Stockholders of Blue Chip Stamps

We have examined the consolidated balance sheet of Blue Chip Stamps and its subsidiary as of March 3, 1973 and March 4, 1972, and the related consolidated statements of income, stockholders' equity and changes in financial position for the fiscal years then ended. Our examinations were 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.

As explained in Note 11 to the accompanying financial statements, the Company is subject to certain legal proceedings.

In our opinion, subject to the effect, if any, of the legal proceedings referred to in the preceding paragraph, the consolidated financial statements examined by us present fairly the financial position of Blue Chip Stamps and its subsidiary at March 3, 1973 and March 4, 1972 and the results of their operations and changes in financial position for the fiscal years then ended, in conformity with generally accepted accounting principles consistently applied.

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Blue Chip Stamps 5801 South Eastern Avenue Los Angeles, California 90040

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## Contents

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1-3 Message from the Chairman

4 Accountants' Certificate

**Financial Statements:** 

5-10 Berkshire Hathaway Inc. and Consolidated Subsidiary Unconsolidated Subsidiaries: っけ

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11-16 Insurance Group

17-21 The Illinois National Bank & Trust Co. of Rockford

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### Berkshire Hathaway Inc.

(...)

### To the Stockholders of Berkshire Hathaway Inc.:

Operating earnings of Berkshire Hathaway during 1972 amounted to a highly satisfactory 19.8% of beginning shareholders' equity. Significant improvement was recorded in all of our major lines of business, but the most dramatic gains were in insurance underwriting profit. Due to an unusual convergence of favorable factors – diminishing auto accident frequency, moderating accident, severity, and an absence of major catastrophes – underwriting profit margins achieved a level far above averages of the past or expectations of the future,

While we anticipate a modest decrease in operating earnings during 1973, it seems clear that our diversification moves of recent years have established a significantly higher base of normal earning power. Your present management assumed policy control of the company in May, 1965. Eight years later, our 1972 operating earnings of \$11,116,256 represent a return many-fold higher than would have been produced had we continued to devote our resources entirely to the textile business. At the end of the 1964 fiscal year, shareholders' equity totaled \$22,138,753. Since that time, no additional equity capital has been introduced into the business, either through cash sale or through merger. On the contrary, some stock has been reacquired, reducing outstanding shares by 14%. The increase in book value per share from \$19,46 at fiscal year-end 1964 to \$69.72 at 1972 year-end amounts to about 16½% compounded annually.

Our three major acquisitions of recent years have all-worked out exceptionally well — from both the financial and human standpoints. In all three cases, the founders were major sellers and received significant proceeds in cash — and, in all three cases, the same individuals, Jack Ringwalt, Gene Abegg and Vic Raab, have continued to run the businesses with undiminished energy and imagination which have resulted in further improvement of the fine records previously established.

We will continue to search for logical extensions of our present operations, and also for new operations which will allow us to continue to employ our capital effectively.

#### **Textile Operations**

As predicted in last year's annual report, the textile industry experienced a pickup in 1972. In recent years, Ken Chace and Ralph Rigby have developed an outstanding sales organization enjoying a growing reputation for service and reliability. Manufacturing capabilities have been restructured to complement our sales strengths.

Helped by the industry recovery, we experienced some payoff from these efforts in 1972. Inventories were controlled, minimizing close-out losses in addition to minimizing capital requirements; product mix was greatly improved. While the general level of profitability of the industry will always be the primary factor in determining the level of our textile eagnings, we believe that our relative position within the industry has noticeably improved. The outlook for 1973 is good.

### Insurance Underwriting

Our exceptional underwriting profits during 1972 in the large traditional area of our insurance business at National Indemnity present a paradox. They served to swell substantially total corporate

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profits for 1972, but the factors which produced such profits induced exceptional amounts of new competition at what we believe to be a non-compensatory level of rates. Over-all, we probably would have retained better prospects for the next five years if profits had not risen so dramatically this year.

Substantial new competition was forecast in our annual report for last year and we experienced in 1972 the decline in premium volume that we stated such competition implied. Our belief is that industry underwriting profit margins will narrow substantially in 1973 or 1974 and, in time, this may produce an environment in which our historical growth can be resumed. Unfortunately, there is a lag between deterioration of underwriting results and tempering of competition. During this period we expect to continue to have negative volume comparisons in our traditional operation. Our seasoned management, headed by Jack Ringwalt and Phil Liesche, will continue to underwrite to produce a profit, although not at the level of 1972, and base our rates on long-term expectations rather than short-term hopes. Although this approach has meant dips in volume from time to time in the past, it has produced excellent long-term results.

Also as predicted<sup>2</sup> in last year's report, our reinsurance division experienced many of the same competitive factors in 1972. A multitude of new organizations entered what has historically been a rather small field, and rates were often cut substantially, and we believe unsoundly, particularly in the catastrophe area. The past year turned out to be unusually free of catastrophes and our underwriting experience was good.

George Young has built a substantial and profitable reinsurance operation in just a few years. In the longer term we plan to be a very major fictor in the reinsurance field, but an immediate expansion of volume is not sensible against a background of deteriorating rates. In our view, underwriting exposures are greater than ever. When the loss potential inherent in such exposures becomes an actuality, repricing will take place which should give us a chance to expand significantly.

In the "home state" operation, our oldest and largest such company, Cornhusker Casualty Company, operating in Nebraska only, achieved good underwriting results. In its second full year, the home state marketing appeal has been proven with the attainment of volume on the order of one-third of that achieved by "old line" giants who have operated in the state for many decades.

Our two smaller companies. in Minnesota and Texas, had unsatisfictory loss ratios on very small volume. The home state managements understand that underwriting profitability is the yardstick of success and that operations can only be expanded significantly when it is clear that we are doing the right job in the underwriting area. Expense ratios at the new companies are also high, but that is to be expected when they are in the development stage.

John Ringwalt has done an excellent job of launching this operation, and plans to expand into at least one additional state during 1973. While there is much work yet to be done, the home state operation appears to have major long-range potential.

Last year it was reported that we had acquired Home and Automobile Insurance Company of Chicago. We felt good about the acquisition at the time, and we feel even better now. Led by Vic Raab, this company continued its excellent record in 1972. During 1973 we expect to enter the Florida (Dade County) and California (Los Angeles) markets with the same sort of specialized urban auto coverage which Home and Auto has practiced so successfully in Cook County. Vic has the managerial capacity to run a much larger operation. Our expectation is that Home and Auto will expand significantly within a few years.

#### Insurance<sup>®</sup> Investment Results

We were most fortunate to experience dramatic gains in premium volume from 1969 to 1971 coincidental with virtually record-high interest rates. Large amounts of investable funds were thus received at a time when they could be put to highly advantageous use. Most of these funds were

placed in tax-exempt bonds and our investment income, which has increased from \$2,025,201 in 1969 to \$6,755,242 in 1972, is subject to a low effective tax rate.

Our bond portfolio possesses unusually good call protection, and we will benefit for many years to come from the high average yield of the present portfolio. The lack of current premium growth, however, will moderate substantially the growth in investment income during the next several years.

### **Banking Operations**

Our banking subsidiary, The Illinois National Bank and Trust <sup>6</sup>Co. of Rockford, maintained its position of industry leadership in prolitability. After-tax earnings of 2.2% on average deposits in 1972 are the more remarkable when evaluated against such moderating factors as: (1) a mix of 60% time deposits heavily weighted toward consumer savings instruments, all paying the maximum rates permitted by law; (2) an unvaryingly strong liquid position and avoidance of money-market borrowings; (3) a loan policy which has produced a net charge-off ratio in the last two years of about 5% of that of the average commercial bank. This record is a direct tribute to the leadership of Gene Abegg and Bob Kline who run a bank where the owners and the depositors can both eat well and sleep well.

During 1972, interest paid to depositors was double the amount paid in 1969. We have aggressively sought consumer time deposits, but have not pushed for large "money market" certificates of deposit although, during the past several years, they have generally been a less costly source of time funds.

During the past year, loans to our customer's expanded approximately 38%. This is considerably more than indicated by the enclosed balance sheet which includes \$10.9 million in short-term commercial paper in the 1971 loan total, but which has no such paper included at the end of 1972.

Our position as "Rockford's Leading Bank" was enhanced during 1972. Present rate structures, a decrease in investable funds due to new Federal Reserve collection procedures, and a probable increase in already substantial non-federal taxes make it unlikely that Illinois National will be able to increase its earnings during 1973.

#### Financial

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On March 15, 1973, Berkshire Hathaway borrowed \$20 million at 8% from twenty institutional lenders. This loan is due March 1, 1993, with principal repayments beginning March 1, 1979. From the proceeds, \$9 million was used to repay our bank loan and the balance is being invested in insurance subsidiaries. Periodically, we expect that there will be opportunities to achieve significant expansion in our insurance business and we intend to have the financial resources available to maximize such opportunities.

Our subsidiaries in banking and insurance have major fiduciary responsibilities to their customers. In these operations we maintain capital strength far above industry norms, but still achieve a good level of profitability on such capital. We will continue to adhere to the former objective and make every effort to continue to maintain the latter.

(R)

Warren E. Bullett

Sec. Seal

March 16, 1973

### EAF, MARWICK, MITCHELL & C CERTIFIED PUBLIC ACCOUNTANTS 40 WESTMINSTER STRUET PROVIDENCE, RHODE ISLAND-02909

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The Board of Directors and Stockholders Berkshire Hathaway Inc.

We have examined the consolidated balance sheets of Berkshire Hathaway Inc. as of December 30, 1972 and January 1, 1972, the statements of assets and liabilities of the Berkshire Hathaway Inc. - Insurance Group and the consolidated statements of condition of The Illinois National Bank & Trust Co. of Rockford and subsidiary as of December 31, 1972 and 1971, and the related consolidated statements of earnings and retained earnings and changes in financial position of Berkshire Hathaway Inc. for the 52 weeks ended December 30, 1972 and January 1, 1972; the statements of income and realized investment gains, paid-in and unassigned surplus and changes in financial position of the Berkshire Hathaway Inc. - Insurance Group for the years ended December 31, 1972 and 1971; and the consolidated statements of income, changes in capital accounts and changes in financial position of The Illinois National Bank and Trust Co. of Rockford and subsidiary for the years ended December 31, 1972 and 1971. 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 financial position of Berkshire Hathaway Inc., the Berkshire Hathaway Inc. - Insurance Group and The Illinois National Bank & Trust Co. of Rockford and subsidiary at December 31, 1972 and 1971 (December 30, 1972 and January 1, 1972 in the case of Berkshire Hathaway Inc.) and the results of their operations and changes in their financial position for the years ended December 31, 1972 and 1971 (the 52 weeks ended December 30, 1972 and January 1, 1972 in the case of Berkshire Hathaway Inc.) in accordance with generally accepted accounting principles which, except for the change (of which we approve) in the method of accounting for investments in stocks by the Berkshire Hathaway Inc. - Insurance Group, as described in Note 2 of their financial statements, have been applied on a consistent basis.

Pert, Manuich, Mitchell & Co

March 8, 1973 (except for Note 10 to the consolidated financial statements, as to which the date is March 15, 1973)

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# CONSOLIDATED BALANCE SHEETS

December 30, 1972 and January 1, 1972 Dec. 30, 1972

Jan. 1, 1972

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Current assets:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2                                                                  | α. <b>Φ</b>                                                                                                      | 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                |
| Cash (Jan. 1, 1972 includes short-te                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | rm investments at cost,                                            | which approxi-                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | and and a second se |
| mates market value)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                    |                                                                                                                  | \$ 1,953,858                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | \$ 962,010 =                                                                                                   |
| Accounts receivable (less allowand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | co for doubtful accourt                                            | its: Dec. 30 —>                                                                                                  | ÷                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | s s a s siniteres                                                  |                                                                                                                  | 4,054,676                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 5,099,8532                                                                                                     |
| Inventories (notes 1 and 3)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                    |                                                                                                                  | ∞ ∫ 6,827,043                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 6,030,647                                                                                                      |
| Propaid and deferred charges .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                    |                                                                                                                  | 92,250                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 110,290                                                                                                        |
| Total current assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                    | (?                                                                                                               | 12,927,827                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 12,202,800                                                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1. A.                          |                                                                                                                  | We State                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | -                                                                                                              |
| Property, plant and equipment (notes 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | and 4):                                                            | .0 ·                                                                                                             | S-<br>14 0C0 070                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 14,941,903                                                                                                     |
| Property comprising land, building                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | s, machinery and equipr                                            |                                                                                                                  | 14,959,076                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 10 T                                                                                                           |
| Less accumulated depreciation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                    | and the second |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 12,732,699                                                                                                     |
| Net property, plant and equip                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | ment , , , , , , ,                                                 |                                                                                                                  | 1,966,135                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2,209,204                                                                                                      |
| Investment in unconsolidated subsidiar                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | ios (notes 1 and 2);                                               |                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | ý.0. <del>.</del>                                                                                              |
| · · · · · · · · · · · ·                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | e                                                                  | · · · · · ·                                                                                                      | 44,981,758                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 33,501,882                                                                                                     |
| Insurance subsidiaries                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                    | ۵ ( <sup>۲</sup> -                                                                                               | · 20,472,590                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 20,116,846                                                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                    |                                                                                                                  | 1,258,832                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | n 1,258,832                                                                                                    |
| Total investment in unconsoli                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | dated enhuidiaries                                                 | ¢                                                                                                                | 66,713,180                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | -54,877,560                                                                                                    |
| Tonu investment in unconson                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | uneu auparunerea - c                                               | Re                                                                                                               | \$81,607,142                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | \$69,289,564                                                                                                   |
| A second state of the s |                                                                    | ດ<br>                                                                                                            | A second se |                                                                                                                |
| 6 - S.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | (1)<br>(1)<br>(1)<br>(1)<br>(1)<br>(1)<br>(1)<br>(1)<br>(1)<br>(1) |                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                |
| A State State State State                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                    | LODDO POLITY                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | , D                                                                                                            |

| LIABILITIES AND S                               | <b>FOCKHOLDERS</b>                       | EQUITY      | 94 - 19 - 19<br>- 19 - 19 - 19 - 19 - 19 - 19 | ° 0 -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------|------------------------------------------|-------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current liabilities:                            |                                          | 19. A       |                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Accounts payable and accrucit expenses          | s. s. s. g. s.                           | i e i j     | \$_3,235,859                                  | \$ 3,305,390                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Accrued Federal, State and local taxes (note 1) |                                          | • • • • • • | 434,960                                       | 174,009                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Total current liabilities                       | n of a subary                            | •<br>•      | 3,670,819                                     | 3,479,399                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| na an a        |                                          | *           | e 0                                           | · · · · · · · · · · · · · · · · · · ·                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Long-term debt: 6.6                             | ù.                                       |             | 9,000,000                                     | 9,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Notes payable to banks (notes 6 and 10)         |                                          | . <b>.</b>  | 641,300                                       | 641,300                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 712 % subordinuted debentures (note 7)          |                                          | •           | 9,641,300                                     | 9,641,300                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Total long-term debt                            | an a |             | o o                                           | and a second sec |
| Stockholders' equity:                           | 6 <b>2</b>                               |             | - <b>-</b>                                    | n series and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

| roun curron, in       | i de            |              | 11 - 11 - 11 - 11 - 11 - 11 - 11 - 11                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 28           | ·           | na a na santa yang di Sa Kata di Kata d | o           |
|-----------------------|-----------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|-----------------------------------------------------------------------------------------------------------------|-------------|
| ong-term debt: 👘 🐻 🧌  |                 |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | ù ù          | ÷           | 0                                                                                                               | 0.000.000   |
| Notes payable to ban  | ks (notes 6 and |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |              | • ÷ ±       | 9,000,000                                                                                                       | 9,000,000   |
| 716 1% subordinated c | lebentures (not | e 7)         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | • • • •      | њ. <b>•</b> | 641,300                                                                                                         | 641,300     |
| Total long-term       | debt 🐘 🔬 🗤      | , <u>,</u> , | <ul> <li>Control of the second se</li></ul> |              |             | 9,641,300                                                                                                       | 9,641,300   |
| ockholders' equity:   |                 |              | ö                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | e            |             | - 22                                                                                                            |             |
| Common stock, \$5 pa  | r value. Author | ized 1,722,9 | 83 shares;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | issued 1,017 | 547         | ÷.                                                                                                              | ių α        |
| shares .              | 35              |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |              |             | 5,087,735                                                                                                       | \$5,087,735 |
| Retained earnings     |                 | 0Î           | ÷,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |              | •           | 64,024,663                                                                                                      | 51,898,505  |
|                       |                 | 12.          | 0.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |              |             | 69,112,398                                                                                                      | 56,986,240  |

| Common stock, \$5 par value. Authorized 1,722,983 shares; issued 1,017,547 | ≆ × <sub>5</sub> | 9<br>947<br>947 |
|----------------------------------------------------------------------------|------------------|-----------------|
| shares                                                                     | 5,087,735        | \$ 5,087,735    |
| Retained carnings                                                          | 64,024,663       | 51,898,505      |
|                                                                            | 69,112,398       | 56,986,240      |
| Less 37,978 shares of common stock in treasury, at cost                    | 817,375          | 817,375         |
| Total stockholders' equity                                                 | · 68,295,023     | 56,168,865      |
|                                                                            | \$81,607,142     | \$69,289,564    |

Other information (notes 1, 8 and 9)

See accompanying notes to consolidated financial statements.

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# CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS 52 weeks ended December 30, 1972 and January 1, 1972

| 52 weeks ended December 30, 1972 and January 1, 19                                                                                                                                                      | 72                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 52 Weeks ended December 30, 1972 and January 1, 19                                                                                                                                                      | 52 weeks                                | ended                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|                                                                                                                                                                                                         | Dec. 30, 1972                           | Jan. 1. 1972                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Operating income:                                                                                                                                                                                       | ¢                                       | ų.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Net sales of textile products                                                                                                                                                                           | \$27,741,969                            | \$26,01,1,267                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Equity in pretax carnings (excluding investment gains) of unconsolidated                                                                                                                                | . 0 . i                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| subsidiaries; $\left\  \begin{array}{c} & & \\ & & \\ \end{array} \right\  = \left\  \begin{array}{c} & & \\ & & \\ \end{array} \right\  = \left\  \begin{array}{c} & & \\ & & \\ \end{array} \right\ $ |                                         | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Insurance sublidiaries                                                                                                                                                                                  | 10,811,674                              | 6,433,482                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Bank subsidiar                                                                                                                                                                                          | 2,618,224                               | 2,273,391                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| SInterest income                                                                                                                                                                                        | 30,027                                  | 81,273                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                                                                                                         | 41,201,894                              | 34,799,413                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Operating costs:                                                                                                                                                                                        |                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Cost of textile products old                                                                                                                                                                            | 23.655,273                              | 23,445,423                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Administrating and selling expenses                                                                                                                                                                     | 2,606,126                               | 2,467,177                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Interest expense                                                                                                                                                                                        | 583,724                                 | 594.885                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                                                                                                                                                         | 26,845,123                              | 26,507,485                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Operating earnings leftore applicable income taxes                                                                                                                                                      | 14,356,771                              | 8,291,928                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| and the second                                                                                        | 0.040 515                               | 1,351,019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Applicable income tax expense (ndtes 1 and 5)                                                                                                                                                           | 3,240,515                               | a generation of the second sec |
| Earnings before investment gains                                                                                                                                                                        | 11,116,256                              | 6,940,909                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Investment gains net of applicable incoma taxes (note 5)                                                                                                                                                | 1,009,902                               | 744.623                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Net earnings ,                                                                                                                                                                                          | 12,126,158                              | 7,685,532                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Retained earnings at beginning of year                                                                                                                                                                  | 51,898,505                              | 44,212,973                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Retained carnings at end of year                                                                                                                                                                        | \$64,024,063                            | \$51,898,505.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Net earnings per share of outstanding common stock, based on the unchanged                                                                                                                              | - ·· · · · · · ·                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| shares outstanding:                                                                                                                                                                                     | (1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1, |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| # Earnings before investment gains                                                                                                                                                                      | <b>\$11.35</b>                          | \$ 7.09                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Investment gains                                                                                                                                                                                        | 1.03                                    | .76                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Not carnings                                                                                                                                                                                            | \$12.38                                 | \$ 7.85                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

See accompanying notes to consolidated financial statements. 6

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# CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

| 52 weeks ended December 30, 1972 and January 1, 197                                            |                           | ITION                          |
|------------------------------------------------------------------------------------------------|---------------------------|--------------------------------|
| Funds provided:                                                                                | Dec. 30, 1972             | Jan. 1, 1972                   |
| Net carnings<br>Nonlund iterus:                                                                | <sup>°</sup> \$12,126,158 | \$ 7,685,532                   |
| Add depreciation and amortization<br>Deduct equity in undistributed earnings of unconsolidated | 427,062                   | 459,746                        |
| subsidiaries                                                                                   | (9,335,521)               | (6,179,824)                    |
| rotar nontuno tiems                                                                            | (8,008,459)               | (5.720.078)                    |
| Funds derived from operations<br>Long-term <sup>®</sup> tlebt financing                        | ×1,217,699                | <sup>9</sup> 1,965,454         |
| Other .                                                                                        |                           | 9,000,000<br>。  2,167          |
| Funds used:                                                                                    | <sup>o</sup> 3.217,699    | 10,967,621                     |
| Investment in unconsolidated subsidiaries                                                      | 2,500,100                 | ×<br>8,496,332                 |
| Additions to property and equipment, net                                                       | 183,992                   | 175,175                        |
| Repayment of long-term debt                                                                    |                           | 3.750,000                      |
| Increase (decrease) in working capital                                                         | 2,684,092<br>\$533,607_   | 12,421,507<br>(\$1,453,886)    |
| Changes in working capital:                                                                    | 000000                    | (9.17499'00D)<br>(9.17499'00D) |
| Increase (decrease) in current assets:                                                         |                           |                                |
| Cash and short-term investments<br>Receivables                                                 | \$ 991,848                | (\$ 389,557)                   |
| Inventories                                                                                    | (1.045,177)               | 1.183,521                      |
| ° Prepayments, etc.                                                                            | 796,396<br>(18,040)       | (2,441,151)                    |
| Decrease (increase) in current liabilities:                                                    | (10,040)                  | (90,051)                       |
| Current installments of long-term debt                                                         |                           | 1,500,000                      |
| Accounts payable and accrued expenses                                                          | 69,531                    | (1,290,547)                    |
| Accrued Federal, State and local taxes<br>Increase (decrease) in working capital               | (260,951)                 | 73,899                         |
|                                                                                                | \$ 533,607                | (\$1,453,886)                  |

see accompanying notes to consolidated financial statements.

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# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### December 30, 1972 and January 1, 1972

#### (1) Summary of Significant Accounting Policies

Accounting Period: Accounts of Berkshire Hathaway Inc. and its wholly-owned consolidated subsidiary, Bourne Mills of Canada, Ltd., are maintained on the basis of a 52-53 week year ending on the Saturday nearest December 31. Equity in earnings of nonconsolidated subsidiaries is determined on the basis 60t their calendar year accounting periods ending on the corresponding December 31.

Principles of Consolidation and Subsidiaries Not Consolidated: The accounts of Berkshire Hathaway Inc., the parent company, are consolidated only with the accounts of Bourne Mills of Canada, Ltd., a whollyowned Canadian textile sales subsidiary.

Three immaterial subsidiaries are not consolidated and investments therein are carried at cost.

The investment of Berkshire Hathaway Inc. in its Insurance Group, representing substantially all of the net assets of the Group, is accounted for on the equity method. This Group was comprised, at December 30, 1972, of a wholly-owned intermediary subsidiary which in turn owned 100% of the outstanding stock of National Fire and Marine Insurance Company and substantially 100% of the putstanding stock of National Indemnity Company, both casualty insurance underwriters. National Indemnity Company has several wholly-owned subsidiaries, all of which are engaged in the casualty insurance business. Composition of the Group at January 1, 1972 was similar to the above except that the intermediary subsidiary did not exist.

Berkshire Hathaway Inc. owns approximately 98% of the outstanding stock of The Illinois National Bank and Trust Co. of Rocklord. The Company applies the equity method of accounting for this investment.

Cost in Excess of Net Assets of Companies Acquired: Cost in excess of net assets of companies acquired is not being amortized. No such excess has arisen at the parent company level subsequent to November 1, 1970.

Inventories: Inventories are stated at the lower of cost or market. "Cost" is standard cost developed munially for individual items on the basis of material, labor, and overhead costs in effect for normal activity levels at the time the costs are developed. The effect of this method approximates that of the "first-in, first-

ont" method in that it assigns a balance sheet valuation at near current replacement cost. "Market" has been considered as estimated selling market, thus making allowance for goods as to which cost cannot be recovered.

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Property, Plant and Equipment: Items of property and plant (including significant betterments and renewals) are carried at cost depreciated over their useful lives estimated at the date of acquisition. The double-declining balance method is used to calculate depreciation of new items acquired after 1965; the straight-line method is applied for new items acquired prior to 1966 and for used items. Maintenance, repairs, and renewals of a minor nature are generally charged to income as incurred.

Income Taxes: The liability for income taxes reflected in the consolidated balance sheet is that part of the consolidated Federal income tax liability expected to be apportioned to the parent company, less payments (net of payments by subsidiaries) on estimated tax? plus the foreign tax liability of the consolidated subsidiary and plus state or provincial income taxes of the parent company and consolidated subsidiary.

Income tax expense reflects that of the parent and consolidated subsidiary plus a proportion (based on ownership) of the income tax expense of those uncon<sub>5</sub> solidated subsidiaries whose income is reflected on the equity method.

Income taxes other than Federal income tax (i.e., foreign and state income taxes) are less than 5% of the total income tax expense.

Reclassification and Format: The format of the consolidated statement of earnings for the year ended January 1, 1972 has been changed and minor reclassifications of the figures have been made for comparability with the corresponding statement for the year ended December 30, 1972.

#### (2) Equity in Book Values of Subsidiaries Not Consolidated

The carrying values of \$66,713,180 at December 30, 1972 and \$54,877,560 at January 1, 1972 for all unconsolidated subsidiaries were approximately \$2,000,000 and \$900,000 respectively, in excess of the Company's equity in book values reflected in the financial state-

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# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

ments of the subsidiaries as of those dates. The figurefor excess cost changed principally because of the change by the insurance subsidiaries in 1972 to the cost method from the market value method of valding stocks.

Financial statements of the Berkshire Hathaway Inc. Insurance Group and the Illinois National Bank & Trust Co. of Rockford and Subsidiary (the bank subsidiary) are presented elsewhere herein.

### (3) Inventories

A summary of inventories follows:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Dec. 30, 1972                                 | Jan. 1, 1972                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Raw materials and supplies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$ 690,219                                    | \$ 510,394                                                                                                      |
| Stock in process and a second se | 1,676,141                                     | 1,331,472                                                                                                       |
| Griege and finished cloth 💡 .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | a 4,460,683                                   | 4.188,781                                                                                                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | \$6,827,043                                   | \$6,030,647                                                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | a contract of the second second second second | The second se |

#### (4) Property, Plant and Equipment

The composition of property, plant and equipment is shown below:

|                          |                 | . fi    | Dec. 30, 1972 | Jun. 1, 1972                                                                                                    |
|--------------------------|-----------------|---------|---------------|-----------------------------------------------------------------------------------------------------------------|
| Land ,                   |                 | • • • • | S 84,800      | \$ 87,116                                                                                                       |
| Buildings .              | · · · · ,       | . (     | 2,344,684     | 2,345,977                                                                                                       |
| Machinery a              | nd equipment    | . 1     | 11,869,465    | 11,873,592                                                                                                      |
|                          | nd fixtures and |         |               |                                                                                                                 |
| leasehold                | Improvements    | s . ),  | 660,867       | 695,218                                                                                                         |
|                          |                 |         | 14 050 070    | the second se |
| 1.00                     |                 |         | 14.000.070    | 4.941.903                                                                                                       |
| Less accumu              | ilated deprecia | tion    | 14,959,876    | 14,941,903                                                                                                      |
| Less accumu<br>and amort | ulated deprecia | tion    | 12,993,741    | 14,941,903                                                                                                      |

and \$459,746 in 1971.

#### (5) Income Taxes

Composition of income tax expense is as follows:

|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1972                                     | • • • • · ·     |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------|
| 9                   | Total                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Current                                  | Deferred        |
| Applicable to oper- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                          | 10 ST 10 ST 10  |
| aling earnings:     | 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                          |                 |
| Parent and consoli- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 27.                                      |                 |
| dated subsidiary .  | \$ 480,844                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | \$ 480.844                               | S 🖹             |
| Insurance Group     | 2,760,012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2,815,520                                | (535903)        |
| Bank subsidiary     | (346)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1,301                                    | (1.647)         |
|                     | \$3,240,515                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$3,297,665                              | \$(57,150)      |
| Applicable to       | and the second se | an a | s de la récelet |
| securilies gains    | \$ 502,479                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | S 502,479                                | \$              |

|                     |                   | 1971      | ി പ       |
|---------------------|-------------------|-----------|-----------|
|                     | Total             | Gurrent a | Deferred  |
| Applicable to oper- | ·                 |           | elle sere |
| ating earnings:     | 10 C              |           | K 42 0 .  |
| Parent and consoli- | .*                |           |           |
| dated subsidiary .  | \$ 33,188         | \$ 33,188 |           |
| Insurance Group     | 1,211,620         | 625,342   | 686,278   |
| Bank subsidiary     | .106.211          | 118,211   | (12,000)  |
|                     | \$1,351,019       | \$776,741 | 3 574,278 |
| Applicable to 👘     | tin na sing.<br>T |           |           |
| securities gains    | \$ 317,055        | \$317,055 | 3         |

The income taxes applicable to operating earnings are less than the statutory 48% rate because of the nontaxable nature of certain investment income of the insurance and bank subsidiaries.

### (6) Notes Payable to Banks

The Company was liable, as of December 30, 1972 and January 1, 1972, for \$9,000,000 under the terms of a term loan agreement with certain banks. These borrowings were refinanced in March 1973. See Note 10.

#### (7) 7½% Subordinated Debentures

Debentures bear interest at the rate of 7½% payable February 1 and August 1 and will be die 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 at principal amount plus accrued interest, through a sinking fund, on August 1 in each of the years 1973 to and including 1986, of one-filteenth of the total amount of debentures issued.

#### (8) "One-Bank Holding Company" Status

The Company is a bank holding company under Federal legislation enacted in 1970. It has filed with the Federal Reserve Board an irrevocable election to divest of its holdings in The Illinois National Bank & Trust Co. of Rockford officer to January 1, 1981. No determination has been made as to how it will affect

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# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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Such divesture and so long as the Company controls the band, it is subject to the refirst tions imposed upon that by the Underal Back Bolding Company Act.

#### (9) Economic Stabilization Program

The Comparence cheef we price control regulations under the Economic Stabilization Program. Based on interpretation called price control regulations which management and a Stephener's believe are reasonable, it is the economic transported the Price control regulations. At present, the very the the price control regulations, At present, the very the there are significant uncontrol regulation occurs uses are also determine which the company's interpretation provides the price control regulations, and it is not possible to determine which is the company's interpretation possible to reasonably estimate the effect of any termedics that may be imposed if the Price Commission falls size with the Company's interpretations, no provision for remedies has been made an the accompanying financial statements.

# (10) Subsequent Event-Relinancing

On Merel, 15, 1972, the Company, issued at par-S20,000,00%. B<sup>22</sup> Senior Nates due March 1, 1993, Part of the proceeding will be used to reply the S9,000,000° of outsfording term notes. Trom certain banks; the remainder of the proceeds will be used by the Company forgadditional contributions to subsidiaries which are part of the Company's Insurance Group.

The new notes call for manufatory annual prepayments of \$1.143,000 on March 1 in each of the years from 1979 to 1992, inclusive, Optional prepayments are permitted without premium up to the amount of the required prepayments in each of the years 1979 to 2002; this right is not cumulative. Additionally, the Company may also prepay the notes at any time, in full of in part, at a premium of 8% in the twelve months commencing March 1, 1973; the premium declines fatably to par in 1992. The Company agreed it will not effect any optional prepayment prior to March 1, % 1963 from proceeds of any refunding operation involving the incurring of any indebtedness at an effective samual interest rate of less than 8%.

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In the note instruments the Company agreed, amongother things, as to both the Company and restricted subsidiaries as defined, to limitations to permissible outsfanding funded debt and subordinated funded debt; to a dimitation on current debt (generally, money borrowed); and to a limitation on mortgage debt except as to after acquired property. Further, the Company covenanted that it would not make restricted payments, which term includes dividents arother equity distributions plus investment in jurgestricted subsidiaries (fluse not bound by the terms of the Agreeanget), in excess of stated formula amounts. Retained earnings of approximately \$13,000,000 as of December 30, 1972, are unrestricted by this provision; the remainder is restricted,

The Agreement also contains limiting terms relating to sales of its assets, mergers or consolidations, and allows the noteholders to demand prepayment, at par, within 60 days of notice that, during the lifetime of Warren E. Buffett, stock ownership in the Company by Warren E. Buffett and the members of his immediate family, including certain trusts and charitable organizations, has decreased to less than 15% of the outstanding capital stock of the Company.

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INSURANCE GROUP

Financial Statements 1972 and 1971

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# Berkshire Hathaway Inc. INSURANCE GROUP ø

# STATEMENTS OF ASSETS AND LIABILITIES December 31, 1972 and 1971

# ASSETS

N.S.

|                                                            |                                       | 1972                 | 1971                   |
|------------------------------------------------------------|---------------------------------------|----------------------|------------------------|
| Bonds, at amortized cost (note 1)                          | a ja ja ka artar                      | \$ 88,148,480        | \$ 84,079,023          |
| Stocks, 1972 at cost, 1971 at market (notes 1, 2 and 3):   |                                       |                      |                        |
| Prefeired stocks                                           |                                       | 2,942,252            | 998,631                |
| Common stock of Blue Chip Stamps                           |                                       | 11,287,396           | 4,128,225              |
| Other common stocks                                        |                                       | 17,411,780           | a <b>11,676,048</b>    |
|                                                            | <i>li</i> j                           | 31,641,428           | 16,802,904             |
| Real estate, equipment and furniture, at cost less allowar | ice for depreciation                  |                      |                        |
| 1972, \$546,682: 1971, \$442,442                           |                                       | 1,674,114            | 1,312,772              |
| Cash and bank deposits $\mathscr{C}$                       |                                       | 3,044,367            | 4,563,077              |
| Agents' balances and premiums in course of collection      | 4                                     | "6,892,288           | 7,131,037              |
| Reinsurance recoverable on loss payments                   | · · · · · · · · · · · · · · · · · · · | 277,741              | 440,396                |
| Investment income due and accrued                          |                                       | 1,629,176            | <sup>#</sup> 1,500,148 |
| Amounts due from sale of securities                        | 5                                     | 1386 - T <b>TT</b> L | 206,513                |
| Other ,                                                    | ေလ်းက ကြည့်တွင် ကြည်သည်။              | 552,855              | 506,406                |
| Prepaid acquisition costs                                  |                                       | 5,624,000            | 6,771,656              |
|                                                            |                                       | \$139,484,449        | \$123,313,932          |

# LIABILITIES, CAPITAL STOCK AND SURPLUS

|     |                                                                           | · · · · · · · · · · · · · · · · · · ·                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7   |                                                                           | 52,990,625                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|     | Unearned premiums (note 1)                                                | 25,516,268                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|     | Funds held under reinsurance treaties                                     | 1,025,737                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|     | Contingent commissions                                                    | 268,151                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|     | Other expenses                                                            | 347,788                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| ľ,  | Taxes, licenses and fees                                                  | 908,500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|     | Taxes, licenses and fees567,914Agents' and policyholders' deposits540,742 | 787,429                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| . ' | Federal income taxes:                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|     | Current                                                                   | 1,002,500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| ,   | Deferred                                                                  | 3,742,611                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|     |                                                                           | 1,331,182                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|     | Mortgage and contract payable on rental property                          | × 9,845                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|     | Other liabilities                                                         | 140,160                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|     | 93,903,158                                                                | 88,070,796                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| , ' |                                                                           | 00,070,700                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 5   | Capital stock and surplus (note 4):                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|     | Common stock of \$10 par value per share.                                 | 9. ji                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|     | Authorized 500,000 shares; issued 400,000 shares                          | 4,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 2   | Common stock of \$100 par value per share.                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|     | Authorized 50,000 shares 1972, 20,000 shares 1971; issued 25,000          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|     | shares 1972, 20,000 shares 1971                                           | 2,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|     | Paid-in surplus                                                           | 7,851,250                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|     |                                                                           | 21,391,886                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|     | 45,581,291                                                                | 35,243,136                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|     |                                                                           | Name of States o |
|     | \$139,484,449 \$1                                                         | 123,313,932                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

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# Berkshire Hathaway Inc. INSURANCE GROUP

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| STAI | EMENTS | OF INCOM  | IE AND REA      | LIZED      | NVESTMEN     | Γ GAINS |
|------|--------|-----------|-----------------|------------|--------------|---------|
| 1    |        | Years end | ed December 31, | 1972 and 1 | L971 · · · · |         |
| 1    |        |           |                 |            | e itse 👔     |         |

|                                                                    | 1972         | 1971                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Underwriting income:                                               |              | and the second s |
| Net premiums written                                               | \$57,950,178 | \$66,455,532                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Decrease (increase) in uncarned premiums .                         | 1,676,872    | (5,588,326)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Premiums earned                                                    | 59,627,050   | 60,867,206                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Losses and loss expenses incurred                                  | 36,987,030   | 40,783,230                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| an an the 🕺 💑 🖓 🖕 an an All an | 22,640,020   | 20,083,976                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                    |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Underwriting expenses                                              | and the ways |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Commissions and brokerage                                          | 12,305,064   | 15,331,620                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Salaries and other compensation                                    | 2,125,645    | 1,667,167                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Taxes, licenses and fees                                           | 1,136,177    | 1,325,562                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Other underwriting expenses                                        | 1,641,330    | 1,667,362                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Decrease (increase) in prepaid acquisition costs                   | 1,147,656    | (1, 316, 962)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                                                                    | 18,355,872   | 18,674,749                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Net underwriting gain                                              | 4,284,148    | 1,409,227                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Investment income:                                                 | <i>(</i> / 6 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Interest on bonds                                                  | E 200 570    | 4 300 701                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Dividends on stock                                                 | 5,899,570    | 4,429,701                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Real estate income                                                 | 829,930      | 595,041                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                    | 310,951      | 221,085                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                    | 7,040,451    | 5,245,827                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Investment expenses                                                | 285,209      | 272,199                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                    | 6,755,242    | 4,973,628                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Profit from underwriting and investments                           | 11,039,390   | 6,382,855                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Other income (expense)                                             | ະ ເດດດີ ເວັ້ | E9 010                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Income before Federal income taxes and realized gains on invest-   | (222,283)    | 53,910                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| ments                                                              | 10 017 107   | 0 400 707                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                                    | 10,817,107   | 6,436,765                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Federal income taxes (credit) (note 1):                            | <b>0</b> ,   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Current                                                            | 2,816,437    | 625,647                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Deferred                                                           | (55,090)     | 586,565                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                    | 2,761,347    | 1,212,212                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Income before realized gains on investments                        | 8,055,760    | 5,224,553                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                                    | 0,000,700    | 0,227,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Realized gains on investments                                      | 1,358,930    | 1,027,764                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Less Federal income taxes                                          | 430,344      | 308,405                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                    | 928,586      | 719,359                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Net income                                                         | \$ 8,984,346 | \$ 5,943,912                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                                    |              | - 0,0 10,014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

See accompanying notes to financial statements of Berkshire Hathaway Inc. — Insurance Group.

13

DISCLOSURE IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT. IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT.

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# Berkshire Hathaway Inc. ≈ INSURANCE GROUP

65

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

| Increase in accrued investment intome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Years ended December 31, 1972 and 1971                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 1990 - C                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| From operations:       S 0,984,946       S 5,943,912         Charges (credits) to income not requiring funds:       7,284,383       23,231,866         (Decrease) increase in muerned premium referves.       7,284,383       23,231,866         (Decrease) increase in funds held under referves.       7,284,383       23,231,866         (Decrease) increase in funds held under referves.       (67,892)       509,017         (Decrease) increase in nearned premium referves.       (376,540)       276,049         Decrease (increase) in agents' balapices and expenses       (376,540)       276,049         Decrease (increase) in prepatid insurrance acquisition costs       1,147,656       (1,781,510)         Degree/ation       109,296       74,404       (247,150)         Degree/ation       109,296       74,404       (247,041)       (247,043)         Ampritzation of discount on bonds       (13,774)       (71,71,50)       -         Decrease in agents' and policyholders' deposits       (246,067)       (153,550)       -         Other, net       1,200,000       -       -       -       -         Prodeed from operations       16,097,452       33,050,061       -       -       -         Protecase in agents' and policyholders' deposits       (246,067)       (153,550)       -                                                                                                        | $\left\  \left( \left[ \left( \left[ \left( \left[ $                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <u> </u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 1971           |
| Net income         \$ 8,984,340         \$ 5,943,912           Charges (credits) to income hat requiring funds:         7,284,393         23,231,866           Increase in loss and loss expense regrees         7,284,393         23,231,866           (Decrease) increase in funds held under reinsurance treaties         (1,676,871)         8,033,311           (Decrease) increase in deferred taxes         (1,676,871)         8,033,311           (Decrease) increase in deferred taxes         (1,676,871)         8,033,311           (Decrease) increase in deferred taxes         (1,676,871)         8,033,311           (Decrease) increase in accrued, taxes and expensos         (376,540)         276,049           Decrease (increase) in agents' balances and uncollected premiums, net                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 그는 것 같은 것 같                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 9 <sup>67</sup> • 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 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1997 - 1997 - 1997 - 1997 - 1 | an di sata s   |
| Charges (credits) to income not requiring funds:<br>Increase in loss and loss expense regrives       7,284.393       23,231.866         (Decrease) increase in nucarned premium referves       (1,676.871)       8,033.311         (Decrease) increase in funds held under reinsurance treaties       (55,090)       874.346         Increase in current income taxes       2,130.649       1,260.979         (Decrease) increase in activation taxes       2,330.649       1,260.979         (Decrease) increase in activation taxes       2,374.966       (4,094,642)         Decrease (increase) in agents' balances and uncollected premiums, net       238,749       (4,094,642)         Decrease (increase) in preplied insurance acquisition costs       1,147,656       (1,781,510)         Degrecition       109,296       78,407       (1,637,743)       (30,715)         -       Cerease (increase) in reinsurance (coverable loss payments)       162,655       (440,396)         Decrease in agents' and policyholders' deposits       (246,007)       (153,550)         Other, net       (1,37,733)       30,311         Punds provided from operations       1,600,7422       33,050,961         Proceeds for sale of capital stock       53,778,887       73,402,063         Common stocks       7,3402,063       75,926,032         Decrease in cush <t< td=""><td></td><td>41 - 1<br/></td><td></td></t<> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 41 - 1<br>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |
| Increase in loss and loss expense referves         7.284.393         23,231,866           (Decrease) increase in uncarned premium referves         (16,76,871)         8.033,311           (Decrease) increase in deferred taxes         (55,090)         874.346           Increase in current income taxes         2,330,8649         1,260,979           (Decrease) increase in accrued, taxes and expenses         (376,540)         276,049           Decrease (increase) in accrued, taxes and expenses         (376,540)         276,049           Decrease (increase) in grephid Insurance acquisition costs         1,147,056         (1,771,159)           Ampritation of discount on bonds         (13,704)         (717,159)           Ampritation of discount on bonds         (132,703)         30,311           Decrease (increase) in reinsurancerecoverable loss payments         162,655         (440,386)           Decrease (increase) in reinsurancerecoverable loss payments         162,655         (440,386)           Decrease (increase) in reinsurancerecoverable loss payments         162,655         (440,386)           Decrease in cash         1,000,000         -         -           Proceeds form sale of capital stock         2,111,015         2,362,779         -           Preferred stocks         -         1,518,710         -         -      <                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | \$ 8,984,346                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | \$ 5,943,912   |
| (Decrease) increase in unearned premium reserves       (1.676.671)       8.033.311         (Decrease) increase in funds held under reingurance treaties       (67.892)       500,017         (Decrease) increase in deformed taxes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                |
| (Decrease) increase in deferred tixes       (67.892)       509,017         (Decrease) increase in deferred tixes       (35,030)       874,346         Increase in current income tuxes       2,138,649       1,260,979         (Decrease) increase in accrued, taxes and expenses       (376,540)       276,049         Decrease (increase) in agents' balances and uncollected premiums, net       238,749       (4,094,642)         Decrease (increase) in prepaid insurance acquisition costs       1,147,656       (1,781,510)         Degreciation       109,296       718,407         Increase in accrued investment income       (13,794)       (717,159)         Amprituation of discount on bonds       (246,687)       (153,550)         Decrease in reensurancerecoverable loss payments       162,655       (440,396)         Decrease in agents' and policyholders' deposits       (246,687)       (153,550)         Ottier, net       1,500,000       -         Proceeds fom sale of capital stock       1,697,452       33,050,961         Bonds       53,779,887       73,402,063         Common stocks       -       1,63,190         Preferred stocks       -       163,190         Decrease in cash       -       1,518,710         Total funds provided       \$ 61,667,038                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |
| (Decrease) increase in deferred tixes       (55,000)       874.345         Increase in current income taxes       2.138.649       1.260.079         (Decrease) increase in agents' balances and uncollected premiums.       (376,540)       276,049         Decrease (increase) in agents' balances and uncollected premiums.       1.147,056       (1.781,510)         Decrease (increase) in repaid insurance acquisition costs       1.147,056       (1.781,510)         Decrease in accrued investment indome       (13,794)       (717,159)         Amortization of discount on bonds       (530,715)       -         Decrease in agents' and policyholders' deposits       (246,687)       (153,550)         Other, net       (132,703)       30,311         Proceeds fom sale of capital stock       1,000,000       8.500,000         Sontribution from parent       1,500,000       -         Proceeds fom sale of capital stock       73,402,063         Common stocks       -       163,1700         Preferred stocks       -       163,090         Cost of investments purchased:       20,785,640       6,829,003         Decrease in cash       1.959,005       1106,166,038         Cost of investments purchased:       20,785,640       6,829,003         Bonds       20,785,640       6,                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | × .            |
| Increase in current income taxes       2,138,649       1,260,979         (Decrease) increase in accrued, laxes and expenses       (376,540)       276,049         Decrease (increase) in agents' balances and uncollected premiums, net       238,749       (4,094,642)         Decrease (increase) in prepaid insurance acquisition costs       1,147,656       (1,781,510)         Depreciation       109,296       78,407         Increase in accrued, investment indome       (13,794)       (717,159)         Amortization of discount on bonds       (538,715)       —         Decrease (increase) in reinsurance/recoverable loss payments       162,655       (440,396)         Decrease in agents' and policyholders' deposits       (246,687)       (153,550)         Other, net       (132,703)       303,311         Funds provided from operations       16,957,452       33,050,961         Proceeds fom sale of capital stock       1,000,000       8,500,000         Common stocks       7,111,015       2,362,778         Preferred stocks       7,111,015       2,362,778         Preferred stocks       1,618,710                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | •              |
| (Decrease) increase in accrued taxes and expenses         (376,540)         276,049           Decrease (increase) in agents' balances and uncollected premiums.         236,749         (4,094,642)           Decrease (increase) in prepaid insurance acquisition costs         1,147,656         (1,781,510)           Depreciation         109,296         78,407           Increase in decrued investment informe         (13,794)         (717,159)           Amortization of discount on bonds         (530,715)         -           Decrease in reinsurance recoverable loss payments         162,655         (440,396,642)           Decrease in reinsurance recoverable loss payments         162,655         (440,396,642)           Decrease in negents' and policyholders' deposits         (246,687)         (153,550)           Other, net         (132,703)         30,311           Funds provided from operations         16,057,452         33,050,000           Contribution from parent         1,500,000         -           From investigents sold or matured:         53,779,887         73,402,063           Bonds         53,779,887         73,402,063           Common stocks         7,111,015         2,362,779           Preferred stocks         1,518,710         -           Cost of investments purchased:         501,867,0                                                              | (Decrease) increase in deferred taxes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |
| Decrease (increase) in agents' balances and uncollected premiums,<br>net         238,749         (4,094,642)           Decrease (increase) in prepiid insurance acquisition costs         1,147,656         (1,781,510)           Depreciátion         100,296         78,407           Increase in accrued investment income         (13,794)         (717,159)           Amortization of discount on bonds         (538,715)         -           Decrease (increase) in reinsurance accoverable loss payments         182,703         30,311           Decrease in agents' and policyholders' deposits         (246,067)         (153,550)           Other, net         .         .         .         .         .           Proceeds fom sale of capital stock         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .         .                                                                                                                                                                      | Increase in current income taxes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 2,138,649                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 1,260,979      |
| net         236,749         (4,094,642)           Decrease (increase) in prepaid insurance acquisition costs         1,147,656         (1,781,510)           Depreciation         109,296         78,407           Increase in accrued investment income         (13,794)         (717,159)           Ampritzation of discount on bonds         (530,715)         -           Decrease (increase) in reinsurance/recoverable loss payments         162,655         (440,396)           Decrease in agents' and policyholders' deposits         (132,703)         30,311           Proceeds fom sale of capital stock         1,000,000         8,500,000           Soutribution from parent         1,500,000         -           Proceeds fom sale of capital stock         1,000,000         8,500,000           Soutribution from parent         1,500,000         -           From investments sold or matured:         -         -           Bonds         -         -         163,190           Common stocks         -         -         163,190           Decrease in cash         1,518,710         -         -           Total funds provided         \$ 81,867,064         \$ 117,478,993           Yauds used:         Cost of investments purchased:         20,785,640         6,829,009 <td></td> <td>(376,540)</td> <td>276,049</td>                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (376,540)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 276,049        |
| Decrease (increase) in prephid insurance acquisition costs         1,147,656         (1,781,510)           Depreciation         109,296         78,407           Increase in accrued investment income         (13,794)         (717,159)           Amprization of discount on bonds         (538,715)            Decrease (increase) in reinsurance/recoverable loss payments         162,655         (440,396)           Other, net         (132,703)         30,311           Prunds provided from operations         1,600,000         8,500,000           Contribution from parent         1,500,000         -           From investments sold or matured:         53,779,867         73,402,063           Bonds         1,518,710          163,190           Total funds provided         \$81,467,064         \$117,478,993           Yunds used:         20,785,640         6,829,009                                                                                           | Decrease (increase) in agents' balances and uncollected premiums.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |
| Depreciation         109,296         78,407           Increase in accrued investment income         (13,794)         (717,159)           Ampritzation of discount on bonds         (538,715)         -           Decrease (increase) in reinsurance/recoverable loss payments         162,655         (440,396)           Decrease in agents' and policyholders' deposits         (246,667)         (153,550)           Other, net              Proceeds fom sale of capital stock           1,600,000           Storminvestments sold or matured:               Bonds                Common stocks                Preferred stocks                Total funds provided                Junds used:                 Cost of investments purchased:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | nels , relation and relation of the second                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 238,749                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | (4,094,642)    |
| Increase in accrued investment intome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Decrease (increase) in prepaid insurance acquisition costs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1,147,656                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | • • • •        |
| Amortization of discount on bonds       (530,715)          Decrease (increase) in reinsurance recoverable loss payments       162,655       (440,396)         Decrease in agents' and policyholders' deposits       (246,667)       (153,550)         Other, net         (132,703)       30,311         Funds provided from operations        16,957,452       33,050,961         Proceeds fom sale of capital stock        1,000,000       8,500,000         Contribution from parent        1,500,000          Prodects fom stocks        7,111,015       2,362,779         Preferred stocks         163,190         Common stocks         163,190         Preferred stocks         163,190         Outer as in cash        1,518,710          Total funds provided        \$117,478,993       \$106,166,036         Cost of investments purchased:        20,785,640       6,829,009         Preferred stocks        1,959,005       160,499         Bonds             Cost of investments purchased:                                                                                                                                                                                                                                                                                                                                                                                                                    | Depreciation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 109,290                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 78,407         |
| Decrease (increase) in reinsurance recoverable loss payments .         162,655         (440,396)           Decrease in agents' and policyholders' deposits .         (132,703)         30,311           Punds provided from operations .         16,957,452         33,050,961           Proceeds fom sale of capital stock .         1,000,000         8,500,000           Sontribution from parent .         1,500,000         -           Prominvestments sold or matured:         33,779,887         73,402,063           Bonds .         7,111,015         2,362,779           Preferred stocks .         -         163,190           Decrease in cash .         1,518,710         -           Total funds provided .         \$ 81,867,064         \$117,478,993           'unds used:         20,795,640         6,829,009           Cost of investments purchased:         30,544         1,969           Bonds .         .         1,969         9,163           Preferred stocks .         1,969         9,169         113,155,544           Payments on mortgage note payable .         -         3,750,603         106,499           Purchase of equipment, net of disposals .         1,969         9,169         113,155,544           Payments on mortgage note payable .         -         3,750,60                                                                                                         | lncrease in accrued investment income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (13,794)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | (717,159)      |
| Decrease in agents' and policyholders' depocits       (246,687)       (153,550)         Other, net       (132,703)       30,311         Funds provided from operations       16,957,452       33,050,961         Proceeds fom sale of capital stock       1,000,000       8,500,000         Sontribution from parent       1,500,000       -         Proceeds fom sold or matured:       53,779,887       73,402,063         Bonds       53,779,887       73,402,063         Common stocks       -       163,190         Preferred stocks       -       163,190         Bonds       1,518,710       -         Total funds provided       1,518,710       -         Total funds provided       \$ 81,867,064       \$117,478,993         'unds used:       20,785,640       6,829,009         Derferred stocks       1,959,005       160,469         Bonds       -       -       3,759,603         'unds used:       20,785,640       6,829,009       117,478,993         Cost of investments purchased:       20,785,640       6,829,009       81,445,575       113,155,544         Payments on mortgage note payable       1,969       9,169       9,169       9,169         Purchase of equipment, net of disposa                                                                                                                                                                                                         | Amortization of discount on bonds .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | · · · · · ·    |
| Other, net       (132,703)       30,311         Funds provided from operations       16,957,452       33,050,961         Proceeds fom sale of capital stock       1,000,000       8,500,000         Sontribution from parent       1,500.000       -         From investments sold or matured:       53,779,887       73,402,063         Bonds       53,779,887       73,402,063         Common stocks       7,111,015       2,362,779         Preferred stocks       -       163,100         Goods       -       163,100         Bonds       1,518,710       -         Total funds provided       \$ 81,867,064       \$117,478,993         Studs used:       20,785,640       6,829,009         Cost of investments purchased:       20,785,640       6,829,009         Bonds       1,959,005       160,499         Preferred stocks       1,959,005       160,499         Purchase of equipment, net of disposals       419,520       199,944         Increase in cash       -       3,750,603         Excess of purchase cost over market value of assets of acquired subsidiary       -       363,733         \$ 81,867,064       \$117,478,993       199,944         Increase in cash       -       3,7                                                                                                                                                                                                               | Decrease (increase) in reinsurance recoverable loss payments .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 162,655                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | (440,396)      |
| Funds provided from operations       16,957,452       33,050,961         Proceeds fom sale of capital stock       1,000,000       8,500,000         Sontribution from parent       1,500,000       -         From investments sold or matured:       53,779,887       73,402,063         Bonds       53,779,887       73,402,063         Common stocks       7,111,015       2,362,779         Preferred stocks       -       163,190         60,890,902       75,928,032       163,190         Decrease in cash       -       15,18,710       -         Totat funds provided       58,1867,064       \$117,478,993         'unds used:       20,785,640       6,829,009         Cost of investments purchased:       20,785,640       6,829,009         Bonds       -       113,155,544         Payments on mortgage note payable       1,969       9,169         Purchase of equipment, net of disposals       -       3,750,603         Excess of purchase cost over market value of assets of acquired subsidiary       -       363,733         \$ 81,867,064       \$117,478,993       -       3,750,603                                                                                                                                                                                                                                                                                                               | Decrease in agents' and policyholders' deposits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (246,687)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | (153,550)      |
| Proceeds fom sale of capital stock       1,000,000       8,500,000         Sontribution from parent       1,500,000       -         From investments sold or matured:       53,779,887       73,402,063         Bands       53,779,887       73,402,063         Common stocks       7,111,015       2,362,779         Preferred stocks       -       163,190         60,890,902       75,928,032       -         Decrease in cash       1,518,710       -         Total funds provided       \$ 81,867.064       \$117,478,993         Funds used:       20,785,640       6,829,009         Cost of investments purchased:       80,445,575       113,155,544         Payments on mortgage note payable       1,969       9,169         Purchase of equipment, net of disposals       419,520       199,944         Increase in cash       -       3,750,603         Sidiary       -       363,733                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Ollier, net                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | (132,703)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 30,311         |
| Proceeds fom sale of capital stock       1,000,000       8,500,000         Sontribution from parent       1,500.000       —         From investments sold or matured:       53,779,887       73,402,063         Bonds       53,779,887       73,402,063         Common stocks       7,111,015       2,362,779         Preferred stocks       1,518,710       —         Bonds       1,518,710       —         Total funds provided       \$ 81,867.064       \$117,478,993         Sunds used:       20,785,640       6,829,009         Cost of investments purchased:       Bonds       20,785,640       6,829,009         Preferred stocks       1,959,005       160,499       81,445,575       113,155,544         Payments on mortgage note payable       1,969       9,169       9,169         Purchase of equipment, net of disposals       419,520       199,944       100,900         Increase in cash       —       3,750,603       \$ 5117,478,993         Sidiary       Sillary       \$ 581,700,024       \$ 5117,478,993                                                                                                                                                                                                                                                                                                                                                                                        | Funds provided from operations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 16,957,452                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 33,050,961     |
| From_investments sold or matured: $53,779,887$ $73,402,063$ Bonds $7,111,015$ $2,362,779$ Preferred stocks $163,190$ $60,890,902$ $75,928,032$ Decrease in cash $1,518,710$ $ 163,190$ Total funds provided $581,867,064$ $$117,478,993$ Junds used: $587,00,930$ $$106,166,036$ Cost of investments purchased: $$20,785,640$ $6,829,009$ Preferred stocks $$106,166,036$ $$20,785,640$ $6,829,009$ Preferred stocks $$13,155,544$ $$93,1445,575$ $$113,155,544$ Payments on mortgage note payable $$1,969$ $$9,169$ $$199,944$ Increase in cash $$ $75,0603$ $$20,785,640$ $$3,750,603$ Excess of purchase cost over market value of assets of acquired substitiary $$363,733$ $$363,733$ $$363,733$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Proceeds fom sale of capital stock                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 8,500,000      |
| From investments sold or matured:       53,779,887       73,402,063         Bonds       7,111,015       2,362,779         Preferred stocks       163,190       60,890,902       75,928,032         Decrease in cash       1,518,710       -       -       163,190         Total funds provided       5 81,867,064       \$117,478,993       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -       -                                                                                                                                                                                                                                                                                                                                                                       | Contribution from parent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1,500.000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                |
| Bonds       73,402,063         Common stocks       7,111,015         Preferred stocks       163,190         G0,890,902       75,928,032         Decrease in cash       1,518,710         Total funds provided       \$ 81,867,064         'unds used:       \$ 51,795,640         Common stocks       \$ 58,700,930         'unds used:       \$ 20,785,640         Common stocks       \$ 20,785,640         Common stocks       \$ 106,166,036         Common stocks       \$ 1,959,005         Preferred stocks       \$ 106,166,036         Common stocks       \$ 13,155,544         Payments on mortgage note payable       \$ 1,969         Purchase of equipment, net of disposals       \$ 199,944         Increase in cash       \$ 363,733         Excess of purchase cost over market value of assets of acquired sub-       \$ 363,733         \$ 581,867,064       \$ 5117,478,993                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |
| Preferred stocks       —       163,190         Decrease in cash       …       1,518,710       —         Total funds provided       …       \$ 81,867,064       \$117,478,993         Junds used:       …       …       \$ 51,700,930       \$106,166,036         Cost of investments purchased:       …       …       …       \$ 58,700,930       \$106,166,036         Common stocks       …       …       …       …       …       …       …         Preferred stocks       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …       …                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 53,779,887                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 73,402,063     |
| Decrease in cash $1,518,710$ $-$ Total funds provided $5 81,867,064$ $5117,478,993$ Junds used: $5 81,867,064$ $5117,478,993$ Cost of investments purchased: $5 58,700,930$ $5106,166,036$ Boads $20,785,640$ $6,829,009$ Preferred stocks $1,959,005$ $160,499$ Payments on mortgage note payable $1,969$ $9,169$ Purchase of equipment, net of disposals $419,520$ $199,944$ Increase in cash $ 3,750,603$ Excess of purchase cost over market value of assets of acquired subsidiary $363,733$ $5 81,867,064$ $5117,478,993$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Common stocks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 7,111,015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2,362,779      |
| Decrease in cash       75,928,032         Total funds provided       1,518,710         Total funds provided       \$ 81,867,064         Sunds used:       \$ 81,867,064         Cost of investments purchased:       \$ 58,700,930         Bonds       \$ 58,700,930         Common stocks       \$ 58,700,930         Preferred stocks       \$ 106,166,036         Payments on mortgage note payable       1,959,005         Purchase of equipment, net of disposals       1,969         Increase in cash       -         Stillary       3,750,603         Excess of purchase cost over market value of assets of acquired subsidiary       \$ 18,867,064                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Preferred stocks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 163,190        |
| Total funds provided       \$ 81,867,064       \$ 117,478,993         *unds used:       Cost of investments purchased:       \$ 58,700,930       \$ 106,166,036         Bonds                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 🕽 🕹 🔪 - Alexandro and a state of the stat | 60,890,902                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 75,928,032     |
| Funds used:       Cost of investments purchased:       \$ 58,700,930       \$106,166,036         Bonds       Sonds       \$ 58,700,930       \$106,166,036         Common stocks       \$ 20,785,640       \$6,829,009         Preferred stocks       \$ 1,959,005       \$160,499         Bl,445,575       \$113,155,544         Payments on mortgage note payable       \$ 1,969       \$9,169         Purchase of equipment, net of disposals       \$ 199,944       \$ 3,750,603         Excess of purchase cost over market value of assets of acquired subsidiary       \$ 363,733         \$ 5,81,867,064       \$ 5117,478,993                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Decrease in cash                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 1,518,710                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                |
| Funds used:       Cost of investments purchased:       \$ 58,700,930       \$106,166,036         Bonds       20,785,640       6,829,009         Preferred stocks       1,959,005       160,499         Bi,445,575       113,155,544         Payments on mortgage note payable       1,969       9,169         Purchase of equipment, net of disposals       419,520       199,944         Increase in cash       -       3,750,603         Excess of purchase cost over market value of assets of acquired sub-       363,733         \$ 5117,478,993                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Total funds provided                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$ 81,867,064                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | \$117,478,993  |
| Cost of investments purchased:       Boads       \$ 58,700,930       \$106,166,036         Boads       20,785,640       6,829,009         Preferred stocks       1,959,005       160,499         Brither Son mortgage note payable       1,969       9,169         Purchase of equipment, net of disposals       419,520       199,944         Increase in cash       -       3,750,603         Excess of purchase cost over market value of assets of acquired subsidiary       -       363,733         \$ 5117,478,993       \$ 5117,478,993                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Funds used:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |
| Bonds       \$ 58,700,930       \$106,166,036         Common stocks       20,785,640       6,829,009         Preferred stocks       1,959,005       160,499         81,445,575       113,155,544         Payments on mortgage note payable       1,969       9,169         Purchase of equipment, net of disposals       419,520       199,944         Increase in cash       -       3,750,603         Excess of purchase cost over market value of assets of acquired sub-       363,733         \$ 81 867,064       \$117,478,993                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | й<br>1         |
| Common stocks       20,785,640       6,829,009         Preferred stocks       1,959,005       160,499         81,445,575       113,155,544         Payments on mortgage note payable       1,969       9,169         Purchase of equipment, net of disposals       419,520       199,944         Increase in cash       -       3,750,603         Excess of purchase cost over market value of assets of acquired sub-       -       363,733         \$ 81 867 064       \$117 478 993                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | \$106,166,036% |
| Preferred stocks       1,959,005       160,499         81,445,575       113,155,544         Payments on mortgage note payable       1,969       9,169         Purchase of equipment, net of disposals       419,520       199,944         Increase in cash       -       3,750,603         Excess of purchase cost over market value of assets of acquired sub-       -       363,733         \$ 81 867 064       \$117 478 993                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |
| 81,445,575       113,155,544         Payments on mortgage note payable       1,969       9,169         Purchase of equipment, net of disposals       419,520       199,944         Increase in cash       -       3,750,603         Excess of purchase cost over market value of assets of acquired sub-       -       363,733         \$ 81,867,064       \$117,478,993                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |
| Payments on mortgage note payable       1,969       9,169         Purchase of equipment, net of disposals       419,520       199,944         Increase in cash       -       3,750,603         Excess of purchase cost over market value of assets of acquired sub-       -       363,733         sidiary       -       -       363,733                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |
| Purchase of equipment, net of disposals       419,520       199,944         Increase in cash       -       3,750,603         Excess of purchase cost over market value of assets of acquired sub-       -       363,733         sidiary       -       -       363,733         5 81 867 064       5117 478 993                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Payments on mortgage note payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 11 C C C C C C C C C C C C C C C C C C                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                |
| Increase in cash                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |
| Excess of purchase cost over market value of assets of acquired sub-<br>sidiary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   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| sidiary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |
| 5 81 867 064 S117 478 993                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 363.733        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | \$ 81,867,064                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | \$117,478,993  |

See accompanying notes to financial statements of Berkshire Hathaway Inc. Insurance Group. 5 14

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# Berkshire Hathaway Inc. INSURANCE GROUP

# STATEMENTS OF PAID-IN AND UNASSIGNED SURPLUS Years ended December 31, 1972 and 7971

### PAID-IN SURPLUS

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 1972                                       | 1971 👘       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------|
| Beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | S 7,851,250                                | \$ 1,851,250 |
| Contribution from parent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 1,500,000                                  | 1            |
| Excess of proceeds over par value of capital slock issued .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 500,000                                    | 6,000,000    |
| End of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | \$ 9,851,250                               | 7,851,250    |
| UNASSIGNED SURPLUS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                            |              |
| Beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$21,391,886                               | \$14,482,568 |
| Net income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 8,984,346                                  | 5.943.912    |
| Increase in net unrealized appreciation of investments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | · · ·                                      | 1,306,083    |
| Increase in deferred income taxes on unrealized appreciation of investments .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | ч <b>.</b>                                 | (340,677)    |
| Excess of market value over cost on stocks (note 2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | (1,146,191)                                |              |
| End of year a galantic transfer the state of | § \$29,280,041                             | 521,391,886  |
| i mana a fanina a fan a strant de                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Service and desired and the service of the |              |

See accompanying notes to financial statements of Berkshire Hathaway Inc. -- Insurânce Group.

# Berkshire Hathaway Inc. INSURANCE GROUP

# NOTES TO FINANCIAL STATEMENTS December 31, 1972 and 1971

# (1) Summary of Significant Accounting Policies and

Practices Basis of Presentation: The financial statements of the Berkshire Hathaway Inc. — Insurance Group include those of National Indemnity Company and its whollyowned subsidiaries, plus those of National Fire & Marine Insurance Company. National Indemnity Company has four wholly-owned subsidiaries: Cornhusker Casualty Company, formed in 1970; Lakeland Fire and Casualty Company, formed in 1971; Home and Automobile Insurance Company, purchased in 1971; Texas United Insurance Company, formed in 1972. The statements are presented on a combined basis, with significant intercompany transactions and balances eliminated.

Insurance Premiums: Insurance premiums are recognized as revenues ratably over the terms of the policies. Uncarned premiums are computed on the monthly pro rata basis and are stated, after deduction for reinsurance placed with other insurers in the amount of \$3,691,310 and \$5,738,332 at December 31, 1972 and 1971, respectively. Policy acquisition costs such as commissions, premium taxes and certain other underwriting and agency expenses are deferred and charged against income ratably over the terms of the policies. Securities: Investments in bonds are stated at cost, adjusted where appropriate for amortization of premium or accretion of discount. Bonds with amortized cost of \$16,582,277 and \$19,920,841 at December 31, 1972 and 1971, respectively, were deposited in trust with various regulatory authorities on in accordance with the terms of various reinsurance treaties.

Investments in stock at December 31, 1972 are stated at cost. At December 31, 1971, investments in stocks are stated at market value with unrealized gains and losses, net of applicable deferred income taxes, being reflected in stockholders' equity. Details concerning this accounting change are presented in note 2.

Reserve for Losses: The insurance companies provide a reserve for losses and loss adjustment expenses based upon (1) aggregate case basis estimates for losses reported, in respect to direct premiums written, (2) estimates of unreported losses based upon past experience, (3) estimates received relating to assumed reinsurance, and (4) deduction of amounts for reinsurance placed with reinsurers in the amount of \$3,324,369 and \$3,166,379 at December 31, 1972 and 1971, respectively.

Catastrophe Reserves: The insurance companies do not provide a reserve for catastrophe losses. The Com-

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### Berkshire Hathaway Inc. INSURANCE GROUP

# NOTES TO FINANCIAL STATEMENTS, Continued

mittee on Insurance Accounting and Auditing of the American Institute of Certified Public Accountants in cooperation with industry representatives is working toward the development of a definitive statement as to the appropriate accounting for catastrophe losses and resolution may lead to changes in the accounting practices being followed.

Real Estate, Equipment and Furniture: Real estate, equipment and furniture are stated at net depreciated cost. Provision for depreciation is based upon their estimated useful lives and is computed under the straightline method. Maintenance and repairs are charged to expense and betterments are capitalized. Gains and losses on routine dispositions are charged against income.

Income Taxes: The insurance companies account for certain income and expense items differently for financial reporting purposes than for income tax purposes. Provisions for deferred taxes are being made in recognition of these timing differences. Investment tax credits realized at the time of property acquisitions are credited to income.

The insurance companies join with Berkshire Hathaway Inc. in filing a consolidated Federal income tax return.

(2) Change in Method of Accounting for Investment in Stocks

Stocks are carried at cost at December 31, 1972. This represents a change from December 31, 1971, at which date stocks were reflected at market values with unrealized gains and losses, net of applicable deferred income taxes being reflected in stockholders' equity. The change does not affect the statements of income and realized investment gains. The change was made because management believes the presentation at cost to be of greater continuing significance than presentation at market value and to conform the accounting practices of the Insurance Group with the method used by the parent company, Berkshire Hathaway Inc. in accounting for investment in its subsidiary companies. Market values will continue to be disclosed in footnotes or otherwise. The comparison of amounts is as follows:

|                                                                     | Cost 🤞       | Market       |
|---------------------------------------------------------------------|--------------|--------------|
| December 31, 1972:<br>Preferred stocks<br>Common stock of Blue Chip | \$ 2,942,252 | \$ 2,872,980 |
| Slomps                                                              | 11,287,396   | 13,130,968   |
| Other common stocks .                                               | 17,411,780   | 18,698,164   |
| December 31, 1971:<br>Preferred stocks<br>Common stock of Blue Chip | 983,247      | 998,631      |
| Stamps                                                              | 3,545,650    | 4,128,225    |
| Other common stocks .                                               | \$10,746,439 | \$11,676,049 |

The change from the market to cost method required a charge of \$1,146,191 to unassigned surplus in 1972, representing total unrealized appreciation at December 31, 1971 less applicable deferred income taxes of \$473,437.

(3) Common Stock of Blue Chip Stamps

During 1972 the Berkshire Hathaway Insurance Group increased its holdings of Blue Chip Stamps from approximately 6% of that company's outstanding capital stock at December 31, 1971 to approximately 17% at December 31, 1972. The holdings were purchased in the open market. Blue Chip Stamps is engaged in the trading stamp business in California, and through a subsidiary, See's Candy Shops, Incorporated, in the manufacture and sale of candy.

A major stockholder of Berkshire Hathaway Inc., the parent company of the Insurance Group, owns directly or indirectly a substantial additional stock interest in Blue Chip Stamps, Blue Chip Stamps is considered an "investee" of the Insurance Group under the provision of Accounting Principles Board Opinion No. 18. Dividends of \$111,168 and \$63,486 received by the Insurance Group from Blue Chip Stamps are included in investment income of the Insurance Group respectively in 1972 and 1971. No additional income from the investment in Blue Chip Stamps is recognized, since the equity in undistributed earnings was not significant in either 1972, or 1971 after considering amortization of excess of purchase cost over net assets acquired. Such excess cost amounted to approximately \$3,600,000 and \$1,115,000 at December 31, 1972 and 1971, respectively.

#### (4) Stockholders' Equity

The following additional common stock was sold during the two years ended December 31, 1972:

| National | Indemnity | Company,    | \$10   | par value   | comn     | non |
|----------|-----------|-------------|--------|-------------|----------|-----|
| stoc     |           |             |        | 12<br>19    |          | · . |
| May 19   | )71 — 1   | 00,000 shar | es for | \$4,500,000 | . 0      | , i |
| Januar   | y 1972 —  | 50,000 shar | es for | \$2,000,000 | 19 S. S. |     |

| National Fire & Marin | ne Insurance Company, \$100 par | val |
|-----------------------|---------------------------------|-----|
| common stock:         |                                 |     |
| April 1971            | 5,000 shares for \$1,000,000    | 2 A |

| January 1972 — | 5,000 shares for \$1,000,000 |
|----------------|------------------------------|
| July 1972      | 5,000 shares for \$1,000,000 |

The January  $12_{12}$  1972 additions were retroactively reflected as of December 31, 1971 in the accompanying financial statements.

Surplus is restricted for dividend purposes by the various insurance departments of the states in which the companies do business.

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BANK SUBSIDIARY

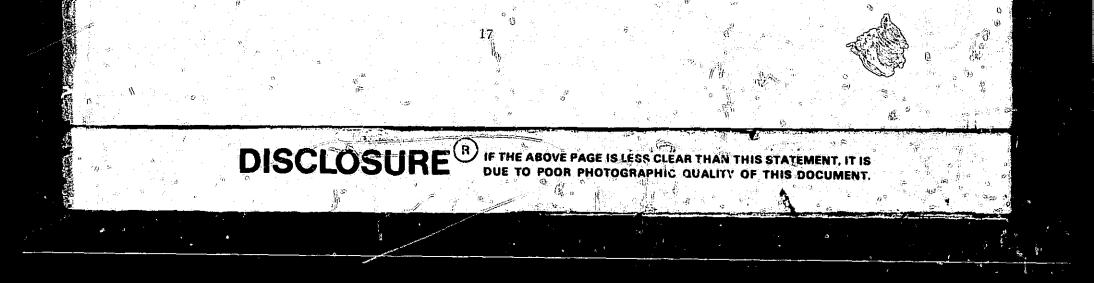
The Illinois National Bank & Trust Co. of Rockford

Financial Statements 1972 and 1971

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# CONSOLIDATED STATEMENTS OF CONDECTON December 31, 1972 and 1971

| A DOLLAR                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| ASSETS                                                                          | * 1972                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>1971</b> ₀                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Cash and due from Banks                                                         | \$ 22,111,475                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | \$ 17,832,686                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Investment securities (note 2):                                                 | u t                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | · · · · · · · · · · · · · · · · · · ·                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| United States Government opligations                                            | 10,614,548                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 12,633,150                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Obligations of states and political subdivisions                                | 50,162,736                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 42,884,431                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Other securities                                                                | 7,778,900                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 5,864.759                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Loans (note 3)                                                                  | 59,618,025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 54,031,811                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Bank premises and equipment, at cost less accumulated depreciation (note 4) . 🦑 | -1.360,892                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1,522,546                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Accraed interest receivable and other assets                                    | 1,750,315                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | $1,252,113^{\circ}_{\ y}$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| $\sim$ $\sim$ $\sim$                                                            | \$153,396,891                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | \$136,021,496                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                                                                                 | 2 4 C                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 1977 - 19 |
|                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| LIABILITIES AND CAPITAL FUNDS                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | o == 000 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Demand deposits                                                                 | \$ 55,129,900                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | \$ 51,208,396                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Time deposits                                                                   | 77,558,396                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 64,639,857                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Total deposits                                                                  | 132,688,296                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 115,848,253<br>813,769                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Accrued taxes and other liabilities                                             | 886,645                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 116,662,022                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Total liabilities                                                               | $\frac{133,574,941}{1,024,601}$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 854,671                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Reserve for loan losses (ngte 5)                                                | 1,024,001                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 004,071                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Capital funds:                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Common stock, \$20 par value, Authorized and issued 250,000 shares              | a provincia de la composición de la composicinde la composición de la composición de la composición de | N the second                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <sup>©</sup> (note 6)                                                           | 5,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <sup>™</sup> 5,000,000 <sup>3</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Surplus                                                                         | 5,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 5,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Undivided profits                                                               | 7,796,349                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 7,503,803                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Reserve for contingencies                                                       | 1,001,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 1,001,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Total capital funds                                                             | 18,797,349                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 18,504.803                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                                 | \$153,396,891                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | \$136,021,496                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

See accompanying notes to consolidated financial statements of Bank Subsidiary,

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The Illinois National Bank & Trust Co. of Rockford AND SUBSIDIARY

# CONSOLIDATED STATEMENTS OF INGOME

gears Ended December 31, 1972 and 1971

|                                                                               | N.            |                      | 1972        | 1971                                                            |
|-------------------------------------------------------------------------------|---------------|----------------------|-------------|-----------------------------------------------------------------|
| Operating income:                                                             |               |                      | . *         | an a 200 11 10 11 10 1                                          |
| Interest and fees on loans                                                    | · · ·         | • 1 • 1 •            | \$4,134,013 | \$4;006,094                                                     |
| Income on Federal funds sold                                                  | :11           | • • •                | 109,905     | 109,271                                                         |
| Interest and dividends on:                                                    |               |                      |             | =                                                               |
| United States Government obligations                                          | Ų., .         | • • • •              | 598,308     | 708,058                                                         |
| Obligations of states and political subdivisions .                            | e ' '         |                      | 2,677,138   | 2,093,649                                                       |
| Other securities                                                              |               | • • • • • • •        | 524,229     | 227,684                                                         |
| Trust department                                                              |               |                      | 385,389     | 336,362                                                         |
| Service charges on deposit accounts                                           |               |                      | 127,258     | 137,345                                                         |
| Other                                                                         |               | · · ·                | 411,413     | 306,616                                                         |
| Total operating income                                                        |               |                      | 8,967,653   | 7,925.079                                                       |
| Operating expenses:                                                           |               |                      |             |                                                                 |
| Salaries                                                                      |               |                      | 1,366,702   | 1,291,568                                                       |
| Pensions, profit sharing, and other employee benefits                         |               |                      | 238,618     | 207,709                                                         |
| Interest on deposits                                                          |               | A .                  | 3,418,746   | 2,732,651                                                       |
| Interest on Rederal funds purchased                                           |               | ••••                 | 3,137       | 1,632                                                           |
| Net occupancy expense of bank premises (note 4)                               |               | 5                    | 314,221     | 358,709                                                         |
| Equipment rentals, depreciation, and maintenance (no                          |               |                      | 264,366     | 288,761                                                         |
| Provision for Joan Josses (note 5)                                            |               | • • •                | 36,900      | 35,900                                                          |
| Ollier                                                                        | ••••          |                      | 644.882     | 681,238                                                         |
| " Total operating expenses                                                    | • • • •       | • • •                | 6,287,572   | 5,598,168                                                       |
| Income before income taxes and securities gr                                  | -             | Ø                    | 2,680,081   | 2,326,911                                                       |
| ±2                                                                            |               |                      |             |                                                                 |
| Applicable income taxes:                                                      |               |                      | 1/001       | 101.000                                                         |
| Current.                                                                      | • • • •       | • • •                | 1/331       | 121,000                                                         |
| Defegred<br>Total applicable income taxes .<br>Income before securities gains |               | • •                  | (1,685)     | , (12,288)                                                      |
| Total applicable income taxes .                                               | аранана<br>19 | ••                   | (354)       | 108,712                                                         |
|                                                                               |               | ~•••                 | 2,680,435   | 2,218,199                                                       |
| Securities gains, net of related taxes of \$72,351 in 1972 and \$             | 9,000 in 197  | 71 .                 | 83,715      | 26,201                                                          |
| Net income                                                                    | • • • • •     | - • • • • ¶          | \$2,764,150 | \$2,244,400                                                     |
| Income per share (based on 250,000 shares) (note 6):                          |               | 6                    |             | ner 220 ve                                                      |
| Income before securities gains                                                |               |                      | \$10.72     | \$ 8.87                                                         |
| Net income                                                                    |               | •* - C               | 11.06       | 8.98 🐐                                                          |
|                                                                               |               |                      | ·····       | n ne na ser a ser ser se la |
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• See accompanying notes to consolidated financial statements of Bank Subsidiary.

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# The Illinois National Bank & Trust Co. of Rockford AND SUBSIDIARY

# CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL ACCOUNTS

| Year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | s Ended Decer   | nber 31, 1972 a          | und 1971 👳            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Reserve                     |
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| н<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Талана<br>Тала<br>Тал | Common<br>stock | Surplus                  | Undivided<br>profits  | Reserve for contingencies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | for asset re-<br>evaluation |
| Balance, <sup>9</sup> January 1, 1971                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$2,000,000     | \$5,000,000              | \$10,137,393          | \$1,001,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | \$75,000                    |
| Add:<br>Net income<br>Excess of loan loss provision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                 |                          | 2,244,400             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                             |
| over allowable for tax pur-<br>poses, net of tax of \$17,232<br>(note 5)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                 |                          | $18,668 \\ 28,342$    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                             |
| Less:<br>Cash dividends<br>Transfer to common stock re-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | P               |                          | (2,000,000)           | an di sana di s                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                             |
| lated to stock dividend (note 6)<br>Transfer to surplus                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 3,000,000       | (3,000,000)<br>3,000,000 | (3,000,000)<br>75,000 | a da ante da compositiva da c | (75,000)                    |
| Balance, December 31, 1971                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 5,000,000       | 5,000,000                | 7,503,803             | 1,001,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                             |
| Add:<br>Net income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | a shekara ta    |                          | 2,764,150             | ن<br>ب                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                             |
| Less:<br>Cash dividends                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | λ.              |                          | (2,400,000)           | ٢                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                             |
| Transfer to reserve for possible<br>loan losses, exclusive of por-                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                 |                          |                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 0                           |
| tion charged against income,<br>net of tax of \$66,095 (note 5).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                 | @                        | (71,604)              | an a salaway my a part a fastanta a Radak                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                             |
| Balance, December 31, 1972                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$5,000.000     | \$5,000,000              | \$ 7,796,349          | \$1,001,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                             |

# CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION -

| р) — <sup>201</sup>                                                                                    | Years           | Ended           | December         | - 31, 1972 | 2 and 1971     | L                          | 1972                                   | 1971                                  |
|--------------------------------------------------------------------------------------------------------|-----------------|-----------------|------------------|------------|----------------|----------------------------|----------------------------------------|---------------------------------------|
| Funds provided for investment:<br>Increase in:                                                         |                 | . 9             |                  |            | -              |                            |                                        | 2                                     |
| Capital funds:<br>Net income<br>Cash dividends declared<br>Other, net                                  | •••             |                 | P                | •••        | • • •          |                            | S 2,764,150<br>(2,400,000)<br>(71,604) | \$ 2,244,400<br>(2,000,000)<br>47,010 |
| Net changes in capi<br>Deposits                                                                        | tal fun         | ds .            | • • •            | · · · ·    | • •            |                            | 292,546<br>16,840,043<br>493,308       | 291,410<br>14,274,944<br>580,866      |
| Total 🧈                                                                                                | • •             |                 |                  |            | ·              | •                          | \$17,625,897                           | \$15,147,220                          |
| Funds used:<br>Invested in earning assets:<br>Loans<br>Investment securities<br>Direct lease equipment |                 |                 |                  |            | • • 6<br>• • 6 | •                          | \$ 5,503,742<br>7,173,845<br>195,009   | \$ 2,844,218<br>9,416,606<br>89,430   |
| Additions to bank premises<br>Increase in cash and due fro<br>Other, net                               | and eq<br>m ban | uipmei<br>ks %. | nt 🥡             | <u>1</u>   | • • • • •      | 97<br>17<br>18<br>18<br>18 | 12,872,59649,1864,278,789425,326       | 12,350,254<br>120,865<br>2,676,101    |
| Total                                                                                                  |                 |                 | Ø<br>onlidatød f | inancial s | taloments      | of F                       | \$17.625.897<br>Sank Subsidiary.       | \$15,147,220                          |

inging notes to consolidated financial statements of Bank

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DISCLOSURE®

### The Illinois National Bank & Trust Co. of Rockford AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1972 and 1971

#### (1) Significant Accounting Policies

The accounting policies of The Illinois National Bank & Trust Co. of Rockford (a subsidiary of Berkshire Hathaway Inc.) and its wholly-owned subsidiary, Brown Building Corporation, conform to generally accepted accounting principles and to general practice within the banking industry. The following is a description of the more significant of those policies:

Consolidation: The consolidated financial statements included those of the Bank and its wholly-owned #subsidiary. All significant intercompany transactions have been eliminated in consolidation. At January 1, 1972, the Illinois National Safe Deposit Company (a wholly-owned subsidiary of the Bank) was dissolved in a tax-free liquidation, and its assets, liabilities and capital (which are not significant in amount) were merged into the Bank. The Illinois National Safe Deposit Company had been reported on a consolidated basis with the Bank in prior years and, accordingly, the liquidation has no effect on the current consolidated financial statements.

Investment Securities: Investment securities are stated at cost, adjusted for amortization of premium.

Bank Premises and Equipment: Bank premises and equipment are stated at cost less accumulated depreciation based on the estimated useful life of each user. Depreciation is computed on the straight-line method for building and automobiles, and on an accelerated method for improvements, equipment, and drive-in and parking facilities.

Federal Income Taxes: Taxable income is determined using the cash busis of accounting whereas the accrual method of accounting is used in preparation of financial statements. Deferred taxes are provided in recognition of the timing differences.

The Bank and its subsidiary join in the filing of a consolidated Federal income tax return with Berkshire Hathaway Inc., the parent company of the Bank.

#### (2) Investment Securities

The appropriate market value of investment securities at December 31, 1972 and 1971 was \$72,990,000 and \$64,042,000, respectively.

Investment securities with a book value of \$10,038,639 and \$9,136,472 at December 31, 1972 and 1971, respectively, were pledged to secure public deposits and for other purposes.

### (3) Loans

Loans have been reduced by uncarned discount of \$2,226,579 and \$1,934,534 on December 31, 1972 and ° 1971, respectively.

(4) Bank Premises and Equipment
 Bank premises and equipment are recorded at cost less accumulated depreciation of \$1,676,936 and \$1,480.008 at December 31, 1972 and 1971, respectively.

 Depreciation expense totaled \$210,840 for 1972 and \$222,540 for 1971.

#### (5) Reserve for Loan Losses

The Bank follows the policy of providing additions to the reserve for possible loan losses in accordance with maximum amounts allowed under the applicable Federal tax laws. For financial reporting purposes, the minimum provision to be charged to operating expenses is based upon the Bank's loan loss experience over the last five years:

Transactions in the reserve for loln losses for the years ended December 31, 1972 and 1971 were as follows:

|                                                      | 1972 1971               |
|------------------------------------------------------|-------------------------|
| Balance at beginning of year . !                     | \$ 854,671 \$860,445    |
| Pravisions charged to:                               |                         |
| Operating expenses                                   | 36,000 35,900<br>71,604 |
| Accrued Income taxes                                 | 66.095                  |
|                                                      | 1,029,270 896,345       |
| Less loans charged off, net of re-                   | 「「「「「「「「「」」」」           |
| boycries of \$29,259 in 1972<br>and \$29,232 in 1971 | 4,669 5,774             |
| Tiransfer to:                                        | •                       |
| Undivided profits (1)                                | 18,668                  |
| Accured income taxes                                 | <u> </u> 17,232         |
| Balance at end of year                               | \$1.024,601 \$854.871   |

(1) Provision charged to operating expenses not deductible for tax purposes in 1971 was transferred to undivided profits, net of tax.

The portion of the reserve (which was available for loan losses was \$706,422 at December 31, 1972 and \$674,191 at December 31, 1971.

#### (6) Capital Funds

On April 12, 1971, capital stock was increased \$3,000.000 by a transfer from surplus representing the par value of 150.000 shares issued in connection with a 21/2 for 1 stock split effected in the form of a stock dividend approved by the shareholders on January 12, 1971.

#### (7) Reclassifications

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Certain items of expense in the 1971 consolidated statement of income have been reclassified to conform to classifications of similar items in 1972.

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# BERKSHIRE HATHAWAY-INC. DIRECTORS

WARREN E. BUFFETT, Chairmap KENNETH V. CHACE MALCOLM G. CHACE, JR. J. VERNE MCKENZIE

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DISCLOSURE<sup>®</sup> IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT, IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT.

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