MELVILLE SHOE CORPORATION

Executive Offices:
25 WEST 43rd STREET, NEW YORK 36, N.Y.

Accounting and General Offices and Warehouse:
44 HAMMOND STREET, WORCESTER 10, MASS.

J. F. McELWAIN COMPANY

Factories:
NASHUA, N. H. (4); MANCHESTER, N. H. (7);
ATHOL, MASS. (1)

Offices:
104 TEMPLE STREET, NASHUA, N. H.
140 FEDERAL STREET, BOSTON 10, MASS.

MILES SHOES

Executive Offices and Warehouse:
348 HUDSON STREET, NEW YORK 14, N.Y.
MELVILLE SHOE CORPORATION

Directors:
J. FRANKLIN MC ELWAIN, Chairman
FRANCIS P. MURPHY
SEWARD M. PATTERSON
MURRAY M. ROSENBERG
J. BRENT WELLS

Officers:
WARD MELVILLE, President
JOHN B. FITCH, Vice-President, Personal and Public Relations
LEONARD A. SHIA, Vice-President, General Manager of Thom McAn Gold Line Chain
LAFAYETTE A. TREMBLAY, Vice-President, General Manager of Thom McAn White Front Chain
H. ALBERT BRODS, Treasurer
JOSEF E. FISCHER, Secretary
FRANK SOKOL, Assistant Treasurer

Executive Committee:
WARD MELVILLE, Chairman
JOSEPH L. MERRILL

MELVILLE REALTY COMPANY, Inc.

Directors:
MURRAY M. ROSENBERG, Chairman
ARTHUR PAAR, Vice-President
SAMUEL H. ROSENBERG, Treasurer

Officers:
MURRAY M. ROSENBERG, President
SPENCER D. GETTINGER, Vice-President and Treasurer

MILES SHOES

Directors:
MURRAY M. ROSENBERG, Chairman
DAVID W. HERRMANN, Vice-President
BERNARD D. EMAN, Treasurer

Officers:
MURRAY M. ROSENBERG, President
SAMUEL H. ROSENBERG, Vice-President
SPENCER D. GETTINGER, Vice-President and Secretary

MILES ROSENBERG COMPANY

Directors:
J. FRANKLIN MC ELWAIN, Chairman
WARD MELVILLE, Vice-President
JOSEPH L. MERRILL, Secretary

Officers:
J. FRANKLIN MC ELWAIN, Chairman of the Board
ROBERT C. ERB, President, General Manager, Head of Merchandising and Sales Division
FRANCIS P. MURPHY, Vice-President, Head of Manufacturing Division
CLINTON P. WALLACE, Comptroller

Miles Rawley Company, Inc. and R-W Realty Company, Inc.

Directors:
MURRAY M. ROSENBERG, President
H. ALBERT BRODS, Treasurer
JAMES O. THOMAS, Vice-President
D. W. HERRMANN, Vice-President

Officers:
H. ALBERT BRODS, President
JOHN B. FITCH, Secretary
MELVILLE SHOE CORPORATION
25 West 43rd Street
NEW YORK 36, N.Y.

To the Stockholders of Melville Shoe Corporation:

A summary of highlights for 1954 compared with 1953 appears on page 5 and comparative detailed financial figures on pages 6, 7 and 8.

Store sales were the highest on record. They were $100,839,250, an increase of $1,287,671 or 1.5% over 1953. Sales to others, not including sales to the armed forces, increased from $3,957,284 to $4,310,296, an increase of 9.7% over 1953. Sales to the armed forces decreased from $5,369,104 to $2,686,759, or 50% from 1953. Net sales, therefore, decreased from $108,870,972 to $107,866,310, or 0.9% from 1953.

Earnings before taxes amounted to $11,224,952 compared with $10,933,798 for 1953, an increase of $291,154, or 2.7%.

Earnings after taxes were $5,979,952, compared with $5,732,798 for 1953, an increase of $247,154. 1954 net income amounted to $2.11 per share of common stock, after provision for preferred dividends, compared with $2.02 in 1953—an increase of 4.5%.

Dividends on the common stock during the year amounted to $1.80 per share, the rate which has been in effect for seven years. We further improved our strong financial position. Cash and governments of $19,026,788 exceeded total current liabilities by $8,427,737, an improvement over 1953 of approximately 20%. Our depreciation account supplies all the cash we need for capital improvements; in 1954 the improvements cost $1,721,299 and the depreciation totalled $X,998,807.

No time was lost during the year as the result of any labor dispute. Our long-established policy is to maintain good working conditions for all those associated with the company and to compensate them at more than merely adequate levels, bearing in mind always the requirement of an equitable balance between the rewards to employees and stockholders. Many of our employees are also stockholders. Over 30% of the company's common stock is owned by our officers, directors and employees and their families.

It is gratifying to note that in accord with our request in the 1953 Report, many of our 18,000 shareholders have let us have their comments and suggestions, and have also taken an active part in recommending the company's products to others. We value this cooperation and hope for its continuance.

The officers and directors ask us to express their sincere appreciation to all of their associates and co-workers in stores, warehouses, factories, and offices for their loyalty and splendid cooperation during the last year.

Respectfully submitted

[Signature]
CHAIRMAN OF THE BOARD

[Signature]
PRESIDENT

March 18, 1955.
Description of the Business

MELVILLE SHOE CORPORATION, founded in 1892 and incorporated in 1914, is the largest integrated shoe manufacturing-retailing organization in the United States. It is fifth in net sales and second in net earnings in the shoe industry. It operated at the year-end 834 stores in 395 cities in 43 states and the District of Columbia; 12 factories in New Hampshire and Massachusetts; 2 warehouses, one in Worcester, Massachusetts, the other in New York City. From Worcester, shoes are distributed to 666 of the company’s stores and from New York City, to 168.

Each warehouse serves as a record keeping center for accounting and merchandise distribution for its respective stores. Two executive offices are maintained in New York City, one for each of the principal retailing divisions, and one in Boston for the factories. The J. F. McElwain Company general factory offices are in Nashua, N. H.

Of the 666 stores supplied out of the Worcester warehouse, 653 are Thorn McAn stores selling popular-priced men’s and boys’ shoes; 13 are John Ward stores located in the East, selling medium priced men’s shoes. The first Thorn McAn store was opened in 1922. Although 116 of the 653 Thorn McAn stores sell women’s and children’s shoes in addition to men’s and boys’, 90% of Thorn McAn and John Ward business is in men’s and boys’ shoes, hosiery and rubber footwear. Combination stores selling men’s and women’s shoes are located principally in towns, neighborhoods and shopping centers where they may operate more profitably than stores selling men’s and boys’ only.

In 1939 Melville Shoe Corporation was merged with the J. F. McElwain Company, manufacturers of Thorn McAn men’s and boys’ shoes, a company with which it already had worked in closest coordination for eighteen years. In 1954 the manufacturing company became the J. F. McElwain Company division of Melville Shoe Corporation. The manufacturing and distributing operations, although under one ownership, and although closely coordinated with merchandising, remain entirely separate in operation — one concentrating on production and the other on distribution.

As of October 1, 1952 Miles Shoes Incorporated was consolidated with the company and is operated as a division of the Melville Shoe Corporation. This division’s 168 stores are in the East, in 86 cities in 10 states and the District of Columbia. Although they retail men’s shoes, over 92% of their sales are in women’s and children’s shoes and related women’s merchandise. This companion division permits further flexibility in the distribution of shoes to areas or locations more advantageous to the profitable sale of women’s merchandise. These stores specialize in popular-priced lines of women’s and girls’ shoes.
<table>
<thead>
<tr>
<th>Item</th>
<th>1954</th>
<th>1953</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stores</td>
<td>$109,889,255</td>
<td>$99,551,084</td>
<td>+ 1.3</td>
</tr>
<tr>
<td>Factory and Warehouse</td>
<td>39,820,871</td>
<td>49,250,500</td>
<td>- 11.1</td>
</tr>
<tr>
<td>To Armed Forces</td>
<td>2,686,750</td>
<td>5,302,104</td>
<td>- 49.9</td>
</tr>
<tr>
<td>Total Sales</td>
<td>$143,394,885</td>
<td>$145,164,683</td>
<td>- 1.3</td>
</tr>
<tr>
<td>Inter-Division Sales</td>
<td>35,483,575</td>
<td>36,293,666</td>
<td>- 2.2</td>
</tr>
<tr>
<td>Net Sales</td>
<td>107,911,310</td>
<td>108,870,972</td>
<td>- 0.9</td>
</tr>
<tr>
<td>Earnings Before Federal Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Earnings After Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Earnings Percent of Total Sales</td>
<td>4.17%</td>
<td>3.95%</td>
<td>+ 2.2</td>
</tr>
<tr>
<td>Net Earnings Percent of Net Sales</td>
<td>5.54%</td>
<td>5.27%</td>
<td>+ 2.7</td>
</tr>
<tr>
<td>Earnings Per Share of Common Stock</td>
<td>$2.11</td>
<td>$2.02</td>
<td>+ 4.5</td>
</tr>
<tr>
<td>Dividends on Preferred Stock</td>
<td>102,128</td>
<td>102,128</td>
<td>+ 0.0</td>
</tr>
<tr>
<td>Dividends on Common Stock</td>
<td>5,022,818</td>
<td>5,022,815</td>
<td>+ 0.0</td>
</tr>
<tr>
<td>Dividends Per Share of Common Stock</td>
<td>1.80</td>
<td>1.80</td>
<td>+ 0.0</td>
</tr>
<tr>
<td>Wages and Compensation</td>
<td>27,608,280</td>
<td>27,327,173</td>
<td>+ 1.0</td>
</tr>
<tr>
<td>Taxes — Federal, State and Local</td>
<td>7,141,003</td>
<td>6,962,746</td>
<td>+ 2.6</td>
</tr>
<tr>
<td>Taxes — Per Share of Common Stock</td>
<td>2.56</td>
<td>2.50</td>
<td>+ 2.5</td>
</tr>
<tr>
<td>Cash and Governments*</td>
<td>19,026,788</td>
<td>18,619,656</td>
<td>+ 2.2</td>
</tr>
<tr>
<td>Inventories</td>
<td>13,521,812</td>
<td>12,733,240</td>
<td>+ 6.2</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>29,265,129</td>
<td>28,684,892</td>
<td>+ 2.0</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>5,269,823</td>
<td>6,131,744</td>
<td>- 14.3</td>
</tr>
<tr>
<td>Net Working Capital</td>
<td>24,005,292</td>
<td>22,553,148</td>
<td>+ 6.2</td>
</tr>
<tr>
<td>Ratio of Working Capital</td>
<td>5.57</td>
<td>4.68</td>
<td>+ 18.6</td>
</tr>
<tr>
<td>Bank Loans, Mortgages or Funded Indebtedness</td>
<td>None</td>
<td>None</td>
<td>-</td>
</tr>
<tr>
<td>Capital Additions and Improvements</td>
<td>1,721,299</td>
<td>1,346,213</td>
<td>- 21.2</td>
</tr>
<tr>
<td>Maintenance and Repairs</td>
<td>650,762</td>
<td>680,005</td>
<td>- 4.3</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,809,870</td>
<td>1,883,369</td>
<td>- 4.3</td>
</tr>
<tr>
<td>Plant, Property, Equipment at Cost</td>
<td>21,774,371</td>
<td>20,666,928</td>
<td>+ 5.4</td>
</tr>
<tr>
<td>Accumulated Depreciation and Amortization</td>
<td>13,931,854</td>
<td>12,619,216</td>
<td>+ 10.4</td>
</tr>
<tr>
<td>Plant, Property and Equipment, Net</td>
<td>7,842,517</td>
<td>8,047,712</td>
<td>- 2.6</td>
</tr>
<tr>
<td>Number of Stockholders</td>
<td>18,410</td>
<td>17,256</td>
<td>+ 6.6</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>7,682</td>
<td>7,505</td>
<td>+ 2.4</td>
</tr>
<tr>
<td>Number of Stores</td>
<td>834</td>
<td>794</td>
<td>+ 5.0</td>
</tr>
<tr>
<td>Number of Shares of Preferred Stock</td>
<td>21,500</td>
<td>21,500</td>
<td>+ 0.0</td>
</tr>
<tr>
<td>Number of Shares of Common Stock</td>
<td>2,790,458</td>
<td>2,790,458</td>
<td>+ 0.0</td>
</tr>
</tbody>
</table>

*Includes Government securities purchased to cover tax liability
## MELVILLE SHOE CORPORATION

### STATEMENT OF CONSOLIDATED FINANCIAL

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>1954</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$13,480,902</td>
<td>$12,806,545</td>
</tr>
<tr>
<td>United States Government securities, at cost plus accrued interest.</td>
<td>5,545,886</td>
<td>5,813,111</td>
</tr>
<tr>
<td>Less deduction from liability for Federal taxes on income.</td>
<td>5,338,228</td>
<td>5,514,297</td>
</tr>
<tr>
<td>Accounts receivable, trade and miscellaneous less provision for possible losses</td>
<td>1,223,185</td>
<td>1,499,283</td>
</tr>
<tr>
<td>Inventories (Note 2):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finished goods</td>
<td>11,510,249</td>
<td>10,502,439</td>
</tr>
<tr>
<td>Work in process, raw materials and supplies</td>
<td>2,011,563</td>
<td>2,230,801</td>
</tr>
<tr>
<td>Prepaid expenses, insurance, taxes, rents, supplies, etc.</td>
<td>831,872</td>
<td>726,920</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>23,260,429</td>
<td>28,064,802</td>
</tr>
<tr>
<td>Claims for refund of Federal taxes on income (realized in 1954) ...</td>
<td>—</td>
<td>1,444,887</td>
</tr>
<tr>
<td>Cash surrender value of life insurance policies on lives of officers.</td>
<td>704,659</td>
<td>663,002</td>
</tr>
<tr>
<td><strong>Property, plant and equipment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and buildings, at cost.</td>
<td>2,188,589</td>
<td>2,187,811</td>
</tr>
<tr>
<td>Machinery and equipment, at cost.</td>
<td>1,568,046</td>
<td>1,555,970</td>
</tr>
<tr>
<td>Store and office fixtures, improvements to leased properties and miscellaneous equipment, at cost.</td>
<td>18,017,712</td>
<td>16,923,147</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation and amortization</strong></td>
<td>21,774,371</td>
<td>20,666,328</td>
</tr>
<tr>
<td><strong>Investments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in and advances to non-consolidated subsidiaries (Note 3)</td>
<td>605,000</td>
<td>280,000</td>
</tr>
<tr>
<td>Miscellaneous investments at cost and sundry deposits</td>
<td>13,021</td>
<td>76,622</td>
</tr>
<tr>
<td><strong>Miscellaneous investments at cost and sundry deposits</strong></td>
<td>618,023</td>
<td>356,622</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td>$38,450,628</td>
<td>$38,577,025</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements on page 9*
and Subsidiary Companies

CONDITION AS OF DECEMBER 31, 1954 WITH COMPARATIVE FIGURES FOR 1953

**LIABILITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>1954</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 2,406,879</td>
<td>$ 2,754,721</td>
</tr>
<tr>
<td>Accrued taxes, rents, royalties and sundry expenses</td>
<td>2,853,944</td>
<td>3,227,655</td>
</tr>
<tr>
<td>Federal taxes on income</td>
<td>5,338,228</td>
<td>5,663,695</td>
</tr>
<tr>
<td>Less United States Treasury notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>5,260,823</td>
<td>6,131,774</td>
</tr>
</tbody>
</table>

| Provision for self insurance etc., (less amount in 1954 no longer required) | 120,933    | 251,385    |

| Stockholders' equity:                                                      |            |            |
| Cumulative preferred stock, par value $100 a share, issuable in series     |            |            |
| Authorized 150,000 shares, Series A, $4.75 dividend; issued and outstanding |            |            |
| 21,500 shares (redeemable at $102 to March 1, 1955 and at $100 thereafter, |            |            |
| plus accrued dividends in each case)                                       | 2,150,000  | 2,150,000  |
| Common stock, par value $1 a share. Authorized, 3,500,000 shares; issued   |            |            |
| and outstanding 2,790,458 (Note 4)                                       | 11,899,047 | 11,899,047 |
| Balance of earnings retained for use in the business                      | 18,999,825 | 18,144,819 |

**Total:** $38,430,628  
$38,577,025
Melville Shoe Corporation
and Subsidiary Companies

Statement of Consolidated Earnings and Balance of Consolidated Earnings Retained for
use in the Business. Year ended December 31, 1954, with comparative figures for 1953

Sales:

1954  1953
Stores ........................................ $100,839,255  $ 99,551,584
Factories and warehouse ......................... 42,910,639    45,613,934
Less inter-division sales ......................... 145,341,883  140,164,838
Net sales ..................................... 35,483,673    36,293,666
Other Income (Note 3) .......................... 107,866,310  108,870,372

108,221,883  109,970,390

Cost of sales and store operating, selling, general and
administrative expenses (exclusive of following de-
ductions) (Note 2) ........................... 94,729,298    96,094,143

94,729,298  96,094,143

Deduct:
Depreciation ..................................... 1,898,807    1,833,369
Employees' pension retirement plan ............... 279,068     208,196
Other charges .................................... 38,708     97,187

2,267,883  2,138,752

Provision for Federal taxes on income:
Normal and surtax ................................ 5,245,000    5,046,000
Excess profits tax ............................. 155,000

5,245,000  5,201,000

Net earnings ................................... 5,979,298    5,732,798

Deduct dividends paid:
Preferred Stock, Series A, $4.75 a share .......... 102,128     102,128
Common Stock, $1.80 a share .................... 9,922,819    9,922,819

9,124,947  9,124,945

Current earnings retained for use in the busi-
ness ........................................... 855,006    607,855
Amount at beginning of year ..................... 18,144,819    17,536,964
Balance of earnings retained for use in the business ... $16,999,825  $ 16,144,819

See accompanying notes to financial statements.
NOTES TO FINANCIAL STATEMENTS

1. At December 31, 1954 the total minimum annual fixed rentals payable under leases expiring after five years was approximately $2,136,000 per annum, plus real estate taxes, insurance, etc., under certain leases. Leases covering about 75% of this amount expire on various dates within the next 19 years.

2. Approximately 50% of the consolidated inventories is valued at last-in, first-out (Lifo) cost, which is substantially below market. The balance of the provision for price decline ($207,613) originally provided prior to adoption of Lifo was transferred to income in 1954. The remaining portion of the inventory is valued at the lower of cost or market, based mainly on the retail inventory method.

3. The investment in non-consolidated subsidiary, which is not considered significant, represents in 1954 ownership of all of the outstanding stock of, and advances to, a real estate company formed for the purpose of constructing a warehouse and office building, part of which is to be occupied by a division of Melville Shoe Corporation. Under the terms of a supplementary agreement, Melville Shoe Corporation, in the event of default by the non-consolidated subsidiary, is to assume a purchase money mortgage of $800,000 on land acquired for the new building. During the year a wholesale shoe subsidiary company was dissolved and the resulting gain of approximately $60,000 is reflected in "Other Income."

4. Additional capital amounting to $9,066,89$, which arose from conversion of 4% preferred shares into common shares prior to redemption of the 4½% preferred issue in February 1950, is included in common stock capital in accordance with statutory requirements. Common stock capital also includes $41,692 capital arising from purchase by Miles Shoes Incorporated of its preferred shares under par value before consolidation September 30, 1952.

---

PEAT, MARWICK, MITCHELL & Co.

To the Board of Directors and Shareholders

Melville Shoe Corporation:

We have examined the statement of consolidated financial condition of Melville Shoe Corporation and subsidiary companies as of December 31, 1954 and the related statement of consolidated earnings and balance of consolidated earnings retained for use in the business for the year then ended. Our examination, which included all divisions and companies except the Miles Shoes division and its subsidiaries (which are of major importance), 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. As regards the Miles Shoes division and its subsidiaries, the accounts of which are incorporated in the accompanying consolidated financial statements, we have been furnished with the report of S. D. Leidesdorf & Co., Certified Public Accountants.

In our opinion, based on our examination and on the report referred to in the preceding paragraph, the accompanying statement of consolidated financial condition and statement of consolidated earnings and balance of consolidated earnings retained for use in the business present fairly the financial position of Melville Shoe Corporation and subsidiary companies at December 31, 1954 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., February 24, 1955

PEAT, MARWICK, MITCHELL & Co.
NET earnings for the year amounted to $5,979,952, the highest in the history of the company, as compared with $5,732,798 in 1953. This is the equivalent to $2.11 per share of common stock, after allowing for preferred stock dividends, compared with $2.02 per share in the preceding year. Earnings before taxes were $11,224,952, also the highest in the history of the company, as against $10,953,798 in 1953.

Store sales reached a new high of $100,839,255 compared with the previous year's total of $99,551,584. Total net sales were $107,866,310 compared with $108,870,972, a decrease of less than one percent, which is due to a reduction in sales to the armed forces of $2,675,345 or 50%. Net inventories were $13,521,812 compared with $12,733,240 in 1953, an increase of 6.2%.

The company continued to expand its retail operations to keep pace with population growth and changes in shopping habits. In 1954, as in previous years, stores were opened in many shopping centers and in the rapidly growing west and south. Of 49 stores opened in 1954, 21 were in planned shopping centers. This was in addition to the already capable representation of Thom McAn and Miles stores in existing centers of that type.

Practically all the stores opened in these suburban shopping centers carried women's shoes as well as our principal lines of men's shoes. We pioneered in the shoe business in bringing the "big city" men's store, with its multiplicity of styles, sizes and widths, to the smaller communities—as most of our stockholders know. Now that the Miles organization has improved our women's and children's operations, we are looking forward to a big growth in our combination store business. We are aware that of all shoes sold in the United States, the pair sales of women's and children's shoes are over twice those of men's and boys' shoes.

In planning for future growth, the company's operating divisions are constantly studying not only the opportunities for retail expansion but also the possible usefulness of new manufacturing processes, electronic computing devices, and all other developments that give any promise of improved performance. We believe that we have not yet succeeded in establishing what might be called in the parlance of the day the "Shoe Store of the Future" but we believe that we are very close to establishing its prototype.
Distribution of Sales Revenue

The distribution of the company's receipts from sales is shown below:

<table>
<thead>
<tr>
<th></th>
<th>1954</th>
<th>1955</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company received for its product</td>
<td>$107,866,310</td>
<td>$108,870,972</td>
</tr>
<tr>
<td>The Company paid for materials, merchandise and all expenses, exclusive of taxes and amounts paid to or for benefit of employees</td>
<td>$61,134,075</td>
<td>$68,847,925</td>
</tr>
<tr>
<td>Remainder</td>
<td>$40,729,235</td>
<td>$40,023,017</td>
</tr>
</tbody>
</table>

This was divided as follows:

- Wages and compensation: $27,608,280 vs. $27,327,473
- Taxes: $7,141,003 vs. $6,962,746
- Paid to Stockholders or retained in the business: $5,979,952 vs. $5,752,738

*Highest in the history of the Company.

After payments for materials, merchandise, taxes and other necessary expenses, 82% of the balance went to the company's 7,682 employees and 18% was paid to the 18,402 stockholders or retained in the business.

Federal, state and local taxes were equivalent to $2.56 per share of common stock outstanding compared with $2.50 per share in 1953. This is 21% more than the $2.11 net earnings after taxes per share for common stock in 1954.

Provision for Federal income taxes amounted to $5,245,000 which is equal to $1.88 per share of common stock outstanding.
Financial Position

We continue to be in an excellent financial position. Total cash and governments at the end of the year amounted to $19,026,788 compared with $18,619,656 at the end of 1953. Our ratio of current assets to current liabilities was 5.57 to 1 compared with 4.58 to 1 as of December 31, 1953. Inventories continue to be valued substantially below current market level. The fixed assets of the company are carried on our books considerably under replacement values. During the year no officer or director of the company at any time was in debt to the company in any amount.

Stores

During 1954 the company remodelled, enlarged or otherwise improved 51 stores. 13 stores were replaced by new stores in different locations in the same communities, 8 stores were closed and 49 new stores were opened.

Advertising and Public Relations

All major media of communications: television, radio, newspapers and magazines were employed to advertise the company’s retail brands in 1954.

The advertising of Thom McAn men’s shoes embodied a guarantee unique in the industry. It offered a full refund after one week’s wear if the shoes did not “feel as comfortable and look as good as shoes costing twice the price.” This advertising started last fall and is being continued in ’55.

An addition to the company’s public relations activities was the inauguration of the Thom McAn Success Awards. These provide college scholarship aid to high school seniors who qualify competitively, and engender goodwill within a consumer group which is an important segment of our market.

Dividend Record

The Melville Shoe Corporation has consecutively paid dividends each year since 1916, the year in which it began to function as a corporation. During the last 10 years the company has paid to its common stockholders 80% of its earnings after preferred dividends. Since 1892, the year the company was organized, it has not had an unprofitable year.

Stockholders

At the year end the company had 18,402 stockholders living in 48 states, the District of Columbia and 19 foreign countries. 16,620 or 86.0% of our stockholders owned 100 shares or less, 18,157 or 98.7% of our stockholders owned 1,000 shares or less.

Proxies

Proxies will be solicited on or about March 21, 1955 for the Annual Meeting to be held on April 4, 1955.
# Financial and Operating Record

For the Years 1940 – 1954

<table>
<thead>
<tr>
<th>Year</th>
<th>Stores at Year-end</th>
<th>Shares at Year-end</th>
<th>Earnings Dividends per Common Share</th>
<th>Earnings Before Fed. &amp; E. P. Taxes</th>
<th>Earnings After Taxes</th>
<th>Earnings per Share*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$100,839,255</td>
<td>834</td>
<td></td>
<td>$11,224,952</td>
<td>$5,979,952</td>
<td>$2.11</td>
</tr>
<tr>
<td>1953</td>
<td>794</td>
<td>45,613,054</td>
<td></td>
<td>10,933,798</td>
<td>5,732,798</td>
<td>2.02</td>
</tr>
<tr>
<td>1952</td>
<td>739</td>
<td>47,104,106</td>
<td></td>
<td>9,780,990</td>
<td>4,712,170</td>
<td>1.91</td>
</tr>
<tr>
<td>1951</td>
<td>777</td>
<td>54,847,259</td>
<td></td>
<td>10,486,529</td>
<td>4,669,369</td>
<td>2.00</td>
</tr>
<tr>
<td>1950</td>
<td>560</td>
<td>51,864,931</td>
<td></td>
<td>9,630,656</td>
<td>5,188,836</td>
<td>2.22</td>
</tr>
<tr>
<td>1949</td>
<td>560</td>
<td>43,292,986</td>
<td></td>
<td>9,099,339</td>
<td>5,538,010</td>
<td>2.37</td>
</tr>
<tr>
<td>1948</td>
<td>547</td>
<td>48,440,862</td>
<td></td>
<td>9,655,816</td>
<td>5,907,816</td>
<td>2.52</td>
</tr>
<tr>
<td>1947</td>
<td>519</td>
<td>51,392,773</td>
<td></td>
<td>9,437,690</td>
<td>5,419,690</td>
<td>2.32</td>
</tr>
<tr>
<td>1946</td>
<td>519</td>
<td>51,213,552</td>
<td></td>
<td>6,586,968</td>
<td>3,896,968</td>
<td>1.66</td>
</tr>
<tr>
<td>1945</td>
<td>536</td>
<td>41,216,792</td>
<td></td>
<td>4,613,577</td>
<td>2,400,997</td>
<td>1.03</td>
</tr>
<tr>
<td>1944</td>
<td>549</td>
<td>37,081,163</td>
<td></td>
<td>3,884,527</td>
<td>2,192,787</td>
<td>.94</td>
</tr>
<tr>
<td>1943</td>
<td>556</td>
<td>39,258,096</td>
<td></td>
<td>4,674,122</td>
<td>2,452,069</td>
<td>1.05</td>
</tr>
<tr>
<td>1942</td>
<td>579</td>
<td>51,644,040</td>
<td></td>
<td>7,478,260</td>
<td>2,582,863</td>
<td>1.10</td>
</tr>
<tr>
<td>1941</td>
<td>659</td>
<td>46,653,910</td>
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<td>4,755,348</td>
<td>2,924,275</td>
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</tr>
<tr>
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<td>666</td>
<td>49,260,777</td>
<td></td>
<td>4,339,218</td>
<td>3,210,961</td>
<td>1.37</td>
</tr>
</tbody>
</table>

*On shares outstanding at end of each year (except 1952 when average number of shares was used) after adjustment for 2 for 1 stock split in 1946 and all conversions of the formerly outstanding 4½% preferred shares into common shares.
## Stores of Melville Shoe Corporation

**Thom McAn — 633 Stores**
- Including Leased Departments (*) and Agency (**),
- in 274 Cities in 43 States and the District of Columbia

**John Ward — 13 Stores**
- Boston • Newark • New York (2) • Philadelphia •
- Washington • Hempstead

**Miles Shoes — 168 Stores**
- In 85 Cities in 10 States and the District of Columbia

<table>
<thead>
<tr>
<th>State</th>
<th>Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>Mobile, Montgomery, Prichard</td>
</tr>
<tr>
<td>Arizona</td>
<td>Mesa, Phoenix, Tucson</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Fort Smith, Little Rock</td>
</tr>
<tr>
<td>California</td>
<td>Alhambra, Bakersfield, Compton, El Centro, Fresno, Glendale, Hollywood, Huntington Park, Lakewood, Los Angeles, Modesto, National City, Oakland, Palo Alto, Pasadena, Pomona, Redwood City</td>
</tr>
<tr>
<td>Colorado</td>
<td>Denver</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Bridgeport, Bristol, Danbury, Derby, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwich, South Manchester, South Norwalk, Stamford, Waterbury</td>
</tr>
<tr>
<td>Florida</td>
<td>Fort Lauderdale, Gainesville, Jacksonville, Key West, Lakeland, Miami, Miami Beach, Orlando, Panama City, Pensacola, St. Petersburg, Tallahassee, Tampa, West Palm Beach</td>
</tr>
<tr>
<td>Georgia</td>
<td>Albany, Atlanta, Augusta, Columbus, Rome, Savannah</td>
</tr>
<tr>
<td>Idaho</td>
<td>Boise</td>
</tr>
<tr>
<td>Illinois</td>
<td>Aurora, Bloomington, Blue Island, Chicago, Chicago Heights, Jollietville</td>
</tr>
<tr>
<td>Indiana</td>
<td>Anderson, Elkhart, Evansville, Fort Wayne, Gary, Hammond, Indianapolis, Lafayette, Marion, Muncie, Richmond, South Bend</td>
</tr>
<tr>
<td>Iowa</td>
<td>Davenport, Des Moines</td>
</tr>
<tr>
<td>Kansas</td>
<td>Wichita</td>
</tr>
<tr>
<td>Kentucky</td>
<td>Ashland, Covington, Lexington</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>Washington (5)</td>
</tr>
</tbody>
</table>
Louisville (3)  
Newport  
Owensboro  
Paducah


Louisiana (10)  
Alexandria  
Baton Rouge  
Lafayette  
Lake Charles  
Monroe  
New Orleans (4)  
Shreveport

Maine (2)  
Lewiston  
Portland

Maryland (14)  
Baltimore (10)  
College Park  
Columbia  
Hagerstown  
Silver Spring

Massachusetts (44)  
Attleboro  
Boston (11)  
Albion  
Boston (3)  
Dorchester (2)  
East Boston  
Hyde Park  
Roslindale  
Roxbury  
South Boston  
Brookline  
Cambridge  
Chelsea  
Everett  
Fall River  
Fitchburg  
Framingham  
Gloucester  
Haverhill  
Holyoke  
Lawrence (2)  
Lowell  
Lynn (2)  
Malden  
Medford  
New Bedford (2)  
Norwood**  
Pittsfield

Quincy  
Salem  
Somererville  
Springfield (2)  
Wakefield  
Waltham  
Woburn  
Worcester (8)

Michigan (32)  
Ann Arbor  
Battle Creek  
Bay City  
Dearborn  
Detroit (15)  
Ferndale  
Flint  
Grand Rapids  
Hartland  
Highland Park  
Jackson  
Kalamazoo  
Lansing (2)  
Muskegon  
Pontiac  
Post Huron  
River Rouge  
Saginaw  
Wyandotte

Minnesota (4)  
Duluth  
Minneapolis (2)  
St. Paul

Mississippi (8)  
Biloxi  
Greenville  
Greenwood  
Hattiesburg  
Jackson  
Meridian  
Natchez  
Vicksburg

Missouri (14)  
Kansas City (3)  
Maplewood  
St. Joseph  
St. Louis (9)  
Nebraska (2)  
Lincoln  
Omaha

New Hampshire (2)  
Manchester  
Portsmouth

New Jersey (30)  
Asbury Park  
Atlantic City  
Bayonne  
Bergenfield  
Bloomfield  
Camden (2)  
Elizabeth  
Hackensack (2)  
Harrison  
Hoboken  
Irvington  
Jersey City (4)  
Morristown  
Newark (7)  
New Brunswick  
Orange  
Passaic  
Paterson  
Perth Amboy  
Plainfield  
Red Bank  
Somerville  
Trenton  
Union  
Union City  
Vineland  
West New York

New Mexico (1)  
Albuquerque

New York (129)  
Albany (3)  
Amsterdam  
Bay Shore  
Binghamton  
Buffalo (8)  
Elmira  
Endicott  
Feverport  
Glen Falls  
Hempstead  
Hicksville  
Huntington  
Jamestown  
Kenmore  
Levittown  
Lynbrook  
Mount Vernon  
Newburgh

New Rochelle  
Niagara Falls (2)  
New York (81)  
Manhattan (8)  
Bronx (14)  
Brooklyn (28)  
Queens (19)  
Richmond (2)  
Patchogue  
Peekskill  
Port Chester  
Poughkeepsie  
Rochester (4)  
Rockville Centre  
Scheneectady  
Syracuse (2)  
Troy  
Utica (2)  
Valley Stream  
White Plains  
Yonkers

North Carolina (9)  
Asheville  
Charlotte  
Durham  
Greensboro  
High Point  
Jacksonville  
Raleigh  
Wilmingtong  
Winston-Salem

Ohio (53)  
Akron (2)  
Alliance  
Canton  
Cincinnati (6)  
Cleveland (12)  
Columbus (2)  
Cuyahoga Falls  
Dayton (2)  
Eustis  
Hamilton  
Lima  
Lorain (2)  
Manfield  
Middleton  
Norwood  
Portsmouth  
Springfield  
Stow  
Toledo (4)  
Warren (2)  
Youngstown (3)  
Zanesville

Continued on next page

**Continued on next page**
Oklahoma (2)
Oklahoma City
Tulsa

Oregon (3)
Portland (2)
Salem

Pennsylvania (47)
Allentown
Altoona
Beaver Falls
Bradford
Chester
Erie (2)
Greensburg
Harrisburg
Hazleton
Homestead
Johnstown
Levittown
McKeesport
Monroeville
New Castle
New Kensington
Philadelphia (19)
Pittsburgh (3)
Pottsville
Reading
Scranton
Sharon
Uniontown
Upper Darby
Wilkes-Barre
York

Rhode Island (6)
Newport
Pawtucket (2)
Providence (5)
Westerly
West Warwick
Woonsocket

South Carolina (5)
Charleston
Columbia
Florence
Greenville
Spartanburg

Tennessee (6)
Chattanooga
Johnson City
Knoxville
Memphis (2)
Nashville

Texas (32)
Abilene
Amarillo
Austin (2)
Baytown
Beaumont
Brownsville
Corpus Christi (2)
Dallas (4)
El Paso
Fort Worth (3)
Galveston
Houston (4)
Laredo
McAllen
Port Arthur
San Angelo
San Antonio (4)
Tyler
Waco
Victoria Falls

Utah (2)
Ogden
Salt Lake City

Vermont (1)
Burlington

Virginia (9)
Arlington
Alexandria
Danville
Lynchburg
Newport News
Norfolk
Portsmouth
Richmond
Roanoke

Washington (3)
Seattle
Spokane
Tacoma

West Virginia (6)
Charleston
Clarksburg
Huntington
Parkersburg
Wheeling

Wisconsin (7)
Madison
Milwaukee (4)
Oshkosh
Waukesha
West Allis

Connecticut (8)
Bridgeport
Danbury
Middletown
South Norwalk
Stamford

District of Columbia (1)
Washington

Delaware (1)
Wilmington

Maryland (2)
Hagerstown
Glen Burnie

New Jersey (42)
Asbury Park
Bayonne
Belleville
Bergenfield
Bloomfield
Camden
Clifton
Elizabeth
Englewood
Fairfield
Hackensack
Hoboken
Irvington
Jersey City (5)
Linden
Long Branch
Morristown
Newark (5)
New Brunswick
Orange
Passaic
Paterson
Pompton Lakes
Plainfield
 Rahway
Red Bank
Toms River
Trenton (2)
Union
Union City
Ventura
West New York
Westwood

New York (136)
Albany (2)
Amsterdam
Bay Shore
Elmira
Fulton County
Freeport
Glen Cove
Glen Falls
Gloversville
Great Neck
Hempstead
Hicksville
Huntington
Levittown
Lyndhurst
Mount Vernon
Nanuet
Newburgh
New Rochelle
New York (72):
Manhattan (17)
Brockton (14)
Brooklyn (18)
Queens (21)
Rochester (9)
Niagara Falls
Patchogue
Peekskill
Port Chester
Poughkeepsie
Riverhead
Rochester
Schenectady
Troy
Utica
Westbury
White Plains
Yonkers (2)

Pennsylvania (7)
Easton
Philadelphia (2)
Pottsville
Scranton
Wilkes-Barre
Williamsport

South Carolina (1)
Florence

Virginia (1)
Arlington

West Virginia (1)
Wheeling