

WIEBOLDT STORES, INC., REPORT



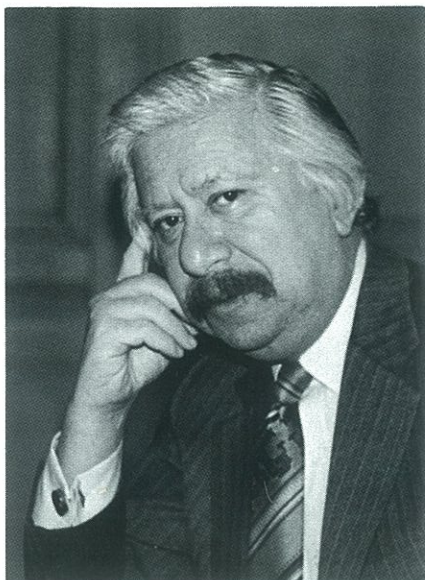
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COVER

Our Flagship store and Executive Offices at One North State Street are located on the world's busiest intersection (State Street and Madison Street). Built between 1911 and 1912, the building was one of the tallest in Chicago and has some of the most interesting architectural features of Chicago's first skyscrapers. The entire 881,320 square feet have been modernized but continue to reflect the timeless quality of an opulent era.

MESSAGE FROM THE CHAIRMAN



Wieboldt's reaches its 103rd year in Chicago, as a proud contributor to our city's history, architecture, and economic base. Our 3,000 employees, the management, board of directors and stockholders view 1986 as a focal year in our history.

We have a new direction, new ownership and aggressive ideas of growth and expansion to increase our market share of department store sales in the Chicago area. We are Chicago, reflecting ethnic diversity. Our stores are located in Chicago and the five surrounding counties and represent a cross-section of what is the best of middle America.

Chicagoans have known Wieboldt's as the quality family department store chain since 1883.

The company enters 1986 poised for an exciting retailing environment and intends to be at the forefront of the retailing scene.

Get to know Wieboldt's in 1986.

Sincerely,

A handwritten signature in blue ink, which appears to read "Gilbert K. Granet". The signature is fluid and stylized, with a large initial "G" and a long, sweeping underline.

Gilbert K. Granet
Chairman of the Board of Directors

GET TO KNOW WIEBOLDT'S

Wieboldt was founded in 1883, and for the last 103 years, it has exclusively been a Chicago department store chain catering to the family shopper. An integral part of that tradition is the vast assortment of exclusively brand name merchandise carried at all stores.

Wieboldt has established itself with generations of consumers, and has employees whose parents and grandparents were employees here. It is not unusual to encounter vendors who have done business with Wieboldt's for 60 years or more.

We are proud of these traditions as we carry Wieboldt's into its next hundred years. The company is now stronger, larger and best positioned to be a retailing force in Chicago.

Our management team, and our stockholder group is made up of highly experienced retailing personnel, as well as seasoned financial

professionals. Additionally, the company is supported in its vending relationship by three premier financial institutions who have participated in the acquisition of the company in late 1985.

Wieboldt was traded on the New York Stock Exchange for over 30 years, until being acquired for \$38 million, by WSI Acquisition Corporation. WSI is indirectly controlled by Baytree Investors, Inc., a Chicago based private investment banking firm.

The Company has trimmed its expenses, beefed up its merchandising functions and shored up its market share through a variety of aggressive marketing programs. New remodeling programs and renovation of key departments is adding to future growth possibilities. Wieboldt has a commanding market presence in the low-middle and upper-low income group of consumers, as well as a leadership role in the suburban growth markets.

Climbing real estate values have helped the company show a substantial profit in the eleven months period due to the sale of an interest in one real estate property. Wieboldt owns outright, seven of its stores, and has a thirty percent interest in its Flagship store. The four





Exciting visual displays, colors and updated atmosphere represent the new Wieboldt's (top left). The Lower Level at State Street has been turned into a gourmet candy shop (lower left). Remodeling continues in all departments, with each getting a special touch by our store design staff (above).

leased locations are operated at very favorable long term leases, at prime locations. Our central warehouse and distribution center is wholly owned, and covers 670,000 square feet on a 30 acre parcel. When built, the warehouse was the first totally automated retail warehouse facility in the Midwest.

Our company has always been a leader in the retailing community. We were the first to install automated retailing functions, computerized inventory controls and the first to install point of sale (POS) registers.

Starting to plan for the future, we are now designing "New Concept" stores to penetrate the Chicago market. These stores would be 30-50,000 square feet in size, and will concentrate on locations at which there are no Wieboldt stores close by. In addition, we are negotiating to acquire complimentary specialty retailing businesses such as women's and men's specialty shops. We have made an offer to acquire Carson Pirie Scott & Co., another Chicago retailer.

In addition to our own financial strength, we can draw upon the support of our principals and our vendors to continue our aggressive posture for the future.

Our plans call for the opening of at least one new store annually during the next five years.





The Stratford Square Store is a model of our new concept 146,000 square foot full service department store. The two levels contain the most modern display and merchandising techniques. Wieboldt's plans to duplicate this store concept on all future anchor stores. This exact concept is in place at Orland Park Place (above).

The entire Juniors section has been designed and built by our Store Planning Department (top left). Housewares get a lot of attention as they are displayed and stocked right on the sales floor (bottom opposite).

WIEBOLDT'S STORE PROPERTIES

Wieboldt's has a strong position in the Chicago retail market. Its real estate properties are as follows:

One North State Street, Chicago, Illinois	881,320 Sq. Ft.
Yorktown Mall, Lombard, Illinois	203,060 Sq. Ft.
Oak Park Mall, River Forest, Illinois	288,150 Sq. Ft.
Lakehurst Mall, Waukegan, Illinois	191,845 Sq. Ft.
Lincoln Mall, Matteson, Illinois	174,880 Sq. Ft.
Jefferson Square Mall, Joliet, Illinois	145,000 Sq. Ft.
Stratford Square Mall, Bloomingdale, Illinois	148,042 Sq. Ft.
Orland Park Place Mall, Orland Court, Illinois	148,042 Sq. Ft.
Distribution Center/Central Warehouse, Des Plaines, Illinois	670,000 (on 30 acres)
Lakeview, Chicago, Illinois	287,560 Sq. Ft.
Harlem-Irving Mall, Norridge, Illinois	173,600 Sq. Ft.
Lincoln Village Center, Chicago, Illinois	38,341 Sq. Ft.
Randhurst Mall, Mt. Prospect, Illinois	198,400 Sq. Ft.
Ford City Mall, Chicago, Illinois	219,300 Sq. Ft.



One North State Street



Oak Park Mall



Lakehurst Mall



Yorktown Mall



Lincoln Mall



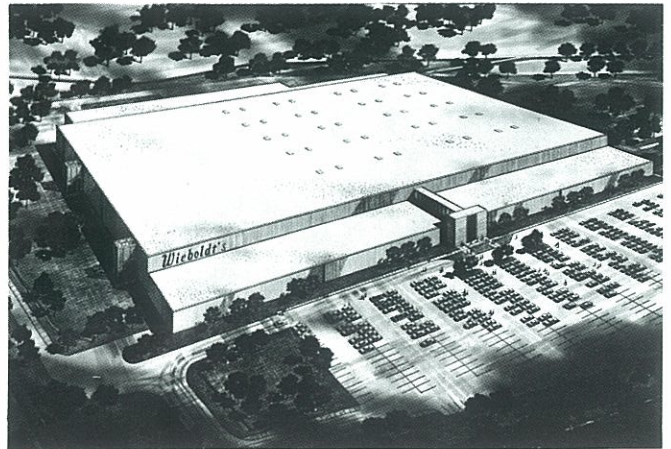
Jefferson Square Mall



Stratford Square Mall



Orland Park Place Mall



Distribution Center/Central Warehouse



Lakeview



Lincoln Village Center



Randhurst Mall



Harlem-Irving Mall



Ford City Mall

BALANCE SHEET

The following financial statements are prepared from the books and records of the Company. The statements are not adjusted for certain contingencies relating to the acquisition of the Company by WSI Acquisition Corporation in December of 1985, and are unaudited for the fiscal period presented herein. Such adjustments will not be material.

January 2, 1986

ASSETS

Current Assets:

Cash on hand and in Banks	\$ 4,168,041
Accounts Receivable—Net	14,530,288
Inventories (less LIFO reserve of \$6,485,831)	14,656,381
Prepaid Expense	9,316,979
Total Current Assets	\$ 42,671,689

Other Assets:

Store Property, Buildings and Equipment	\$ 88,959,529
(Less Depreciation)	(39,758,613)
Total Current Assets	49,200,916
Deferred Charges and Investments	46,246,228
Total Assets	\$ 138,118,833

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts Payable	\$ 20,251,060
Accruals Payable	10,419,854
Current Portion/Long Term Debt	591,371
Capital Leases	1,323,311
Total Current Liabilities	\$ 32,585,596

Other Liabilities:

Mortgages Payable	\$ 46,757,300
Capital Leases	4,985,176
Reserves and Deferred Taxes	19,128,284
Other	937,371
Total Other Liabilities	\$ 71,808,131

STOCKHOLDERS' EQUITY

Capital Stock	\$ 15,713,888
Retained Earnings	18,011,218
Total Stockholders' Equity	\$ 33,725,106
Total Liabilities and Stockholders' Equity	\$ 138,118,833

INCOME STATEMENT

	Month Ended January 4, 1986		Year-to-Date Ended January 4, 1986	
NET SALES	\$ 27,404,287	% 74.57	\$ 160,079,178	% 89.03
Gross Margin	10,040,579	36.64	56,549,337	35.33
Miscellaneous Income	62,971	.23	226,416	.14
Total	\$ 10,103,550	% 36.87	\$ 56,775,753	% 35.47
Payrolls	3,109,784	11.35	26,673,122	16.66
Depreciation and Amortization	461,315	1.68	4,437,153	2.77
Other Operating Expenses/Net	4,030,144	14.71	30,363,490	18.97
Total Operating Expenses	7,601,243	27.74	61,473,765	38.40
	2,502,307	9.13	(4,698,012)	(2.93)
Gain on Sale of Investments—Note A	8,064,208	29.43	8,064,208	5.04
Income Before Tax	10,566,515	38.56	3,366,196	2.10
Federal & State Income Taxes (credit)	3,409,000	12.44	96,900	.06
Net Income (loss)	\$ 7,157,515	% 26.12	\$ 3,269,296	% 2.04

NOTES TO INCOME STATEMENT

Note A: Net gain pre-tax on the sale and leaseback of an equity interest in one property. Wieboldt continues to occupy the property and has a 30% equity interest in the partnership which owns the property. The total gain may be ultimately affected by tax implications and the treatment of the recognition of gain on this transaction as of the year end date for the fiscal year ending January 31, 1986.

PREVIOUS AFFILIATIONS OF STOCKHOLDERS OF WIEBOLDT STORES, INC., AND AFFILIATED COMPANIES

Gilbert K. Granet	Chairman, Ryder/PIE Nationwide, Inc., (An \$888 million motor carrier); Chairman, Wieboldt Stores, Inc., (13 Store Department Store Chain); President, Colliers Encyclopedia, (Worldwide Encyclopedia Sales); President, FAS International, Inc., (A worldwide holding company that includes Evelyn Wood Reading Dynamics Institute, Welcome Wagon International, and over 7,000 sales persons); Chairman, Cine Video International Corporation, (First Pay TV System in Chicago).
George “Phil” Kelly	Chairman, Marshall Field & Co., (A \$2.0 billion Department Store Chain), Chairman, Robinsons, (Los Angeles Based Department Store Chain); President, Garfinkels, (Washington, D.C. Based Retailer); Chairman, Mallards, Inc., (Men’s Wear Chain); Senior Vice President, Bloomingdale’s (New York Based Retail Chain).
Stanley Seiden	President, Wieboldt Stores, Inc.; President, Gimbels-Pittsburgh; President, Stix-Baer-Fuller; Executive Vice President, Merchandising and Sales Promotion, Dayton Company; International Merchandise Manager, Montgomery Ward & Co.
David E. Babcock	Chairman and President, The May Company, (\$30 billion Retail Chain); Director, Del E. Webb Corporation, (Conglomerate); Governor, U.S. Postal Service.
Clark A. Johnson	President, Pier 1 Imports, Inc., (400 Store Specialty Retail Chain); Chairman, McGregor Golf Equipment Company, and the Jack Nicklaus Companies, (Jack Nicklaus Related Enterprises); Executive Vice President, Wickes Companies.
Bernard M. Krakower	Executive Vice President, General Counsel, Secretary of the Victor Posner Group of Affiliated Companies: DWG Corporation, Sharon Steel Corporation, NVF Corporation, Wilson Brothers, Inc., Pennsylvania Engineering Corporation, Southeast Public Service Company, (Doing a combined total of several billion in sales.)
Christopher A. Jansen	Chairman and President, Nottingham Investment Corporation, All Island Airlines, Inc., A.J. Christopher & Company; Director—Corporate Finance, Maxitron Corporation; Director, Ryder/PIE Nationwide, Inc. (\$888 million motor carrier) Director—Corporate Finance—Wieboldt Stores, Inc., 13 Store Department Store Chain).
John H. Shepherd	President, Dale Maintenance System, Inc.; President, District Security Service, Inc.; President, ELAD Supply System, Inc.
Marvin Smollar	President, Marchon, Inc., (Toy Manufacturing Company); Director, U.S.C.C. Management Company, (Hi-Rise Developer); President, Kidco, Inc., (Toy Manufacturer); Director, L.J.M. Toys, Inc.
Donald Hoffman	President, U.S.C.C. Management Company, (Developer of Commercial Properties, industrial and High-Rise)
Jean Claude Tunon	President, Ecole Tunon, Monte Carlo, (Worldwide Vocational Schools and Training).

OFFICERS

Gilbert K. Granet
Chairman of the Board

Stanley Seiden
President, Chief Operating Officer

John L. Kufner
Senior Vice President, Stores

Kenneth E. Rapacz
Senior Vice President, Finance
and Secretary

John L. Grimes
Senior Vice President,
and General Operating Manager

Marie P. Alexander
Senior Vice President,
Sales Promotion

Joyce Grenis
Senior Vice President,
Human Resources

Gary Boubek
Controller, Assistant Treasurer,
and Assistant Secretary

DIRECTORS

David E. Babcock

Gilbert K. Granet

George "Phil" Kelly

Robert A. Podesta

Stanley Seiden

John H. Shepherd

Jean Claude Tunon

CORPORATE FINANCE

Christopher A. Jansen
Managing Director

LEGAL DEPARTMENT

Bernard M. Krakower
Managing Director

STORE PLANNING DEPARTMENT

Michael Kelly
Managing Director

MERCHANDISING DEPARTMENT

Benjamin Wall
Managing Director

ADVERTISING DEPARTMENT

Rachel L. Riley
Managing Director

LAW FIRMS

**Arnstein, Gluck, Lehr,
Barron & Milligan**

Sidley & Austin

Isham, Lincoln & Beale

Edwards & Angell

ACCOUNTING FIRM

Laventhol and Horwath

BANKING RELATIONSHIPS

Harris Bank

Continental Illinois

FINANCING RELATIONSHIPS

Household Finance

General Electric Credit