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IN THE DISTRICT COURT FOR CLEVELAND COUNTY
STATE OF OKLAHOMA

THE STATE OF OKLAHOMA et al.,	)	
	)	
Plaintiffs	)	
	)	
	)	Case No. C.J.-96-1499-L
v.	)	
	)	
	)	
R.J. REYNOLDS TOBACCO COMPANY et al.,	)	
	)	
Defendants	)	

REPLY OF LOEWS CORPORATION TO THE STATE OF OKLAHOMA'S MEMORANDUM IN OPPOSITION TO MOTION OF DEFENDANT LOEWS CORPORATION TO DISMISS FOR LACK OF PERSONAL JURISDICTION

TABLE OF CONTENTS

TABLE OF AUTHORITIES iii

CASES iii
STATUTES v
MISCELLANEOUS vi

PRELIMINARY STATEMENT 1

I. LOEWS CORPORATION AND LORILLARD TOBACCO COMPANY ARE SEPARATE, INDEPENDENT, LEGAL ENTITIES RECOGNIZED AS SUCH BY LAW 5

A. The Corporate Form is Well Established and Recognized by Oklahoma Law 5

B. The Corporate Separateness of Loews Corporation and Lorillard Tobacco Company are Maintained by the Management of Those Companies 7

II. PLAINTIFFS HAVE NOT SATISFIED THEIR BURDEN OF PROOF NECESSARY TO ESTABLISH PERSONAL JURISDICTION 10

A. Minimum Contacts - Due Process 10

B. Lorillard Tobacco Company Is Not the Mere Instrumentality of Loews Corporation 12

1. Stock Ownership and Corporate Directors and Officers 14
2. Loews Corporation does not pay the salaries, expenses or losses of Lorillard Tobacco Company 15
3. Loews Corporation does not finance Lorillard Tobacco Company and the two entities do not commingle assets and affairs 17
4. Lorillard Tobacco Company is not a division or a department of Loews Corporation 21
5. Lorillard Tobacco Company directors and executives act independently and not at the direction of Loews Corporation 24
6. The formal legal requirements of the subsidiary as a separate and independent corporation are observed 26

C. No Threat of Fraud or Injustice Exists Which Would Require Piercing the Corporate Veil 28

III. PLAINTIFFS HAVE FAILED TO ESTABLISH THAT JURISDICTION EXISTS OVER LOEWS CORPORATION ON A "CONSPIRACY THEORY" 29

A. Plaintiffs' "Conspiracy Theory" of Jurisdiction Violates the Due Process Clause of the United States and Oklahoma Constitutions 29
B. Plaintiffs Have Not Properly Pled A Claim For Conspiracy Against Loews Corporation 31

CONCLUSION 35

TABLE OF AUTHORITIES

CASES

In re Acushnet River, 675 F. Supp. 22 (D. Mass. 1987) 11

Akzona, Inc. v. E.I. Du Pont De Nemours & Co., 607 F. Supp. 227 (D. Del. 1984) 19

Alberto v. Diversified Group Inc., 55 F.3d 201 (5th Cir. 1995) 11

American Land Program, Inc. v. Bonaventura Uitgevers Maatschappij, N.V., 710 F.2d 1449 (10th Cir. 1983) 28,29

American Trading & Prod. Corp. v. Fischbach & Moore, Inc., 311 F. Supp. 412 23,28

Baldridge v. McPike, Inc., 466 F.2d 65 (10th Cir. 1972) 31

Bankers Life & Cas. Co. v. Holland, 346 U.S. 379 (1953) 32

Bennet Waites Corp. v. Piedmont Aviation, Inc., 563 F. Supp. 810 (D. Colo. 1983) 32

Carlton Inv. v. TLC Beatrice Intl Holdings, Inc., CA 13950, 1995 Del. Ch. LEXIS 140 (Del. Ch. Nov. 21, 1995) 31

Chrysler Corp. v. Fedders Corp., 643 F.2d 1229 (6th Cir. 1981) 31,35

Dill v. Rader, 583 P.2d 496 (Okla. 1978) 32

Edgar v. Fred Jones Lincoln-Mercury of Oklahoma City, Inc., 524 F.2d 162 (10th Cir. 1975) 14

Fish v. East, 114 F.2d 177 (10th Cir. 1940) 12,13,14,17,21, 24

Frazier v. Bryan Memorial Hosp. Auth., 775 P.2d 281 (Okla. 1989) 12,13,14

Garrett v. Downing, 90 P.2d 636 (Okla. 1939) 5

Grove Press, Inc. v. Angleton, 649 F.2d 121 (2d Cir. 1981) 30

Gulf Oil Corp. v. State of Oklahoma, 360 P.2d 933 (Okla. 1961) 11,28,29

Hawkins v. Upjohn Co., 890 F. Supp. 601 (E.D. Tex. 1994) 31,32

Hearn v. Petra Intl Corp., 710 P.2d 769 (Okla. Ct. App. 1985) 5

Hewitt v. Hewitt, 896 P.2d 1312 (Wash. App. 1995) 30

Home-Stake Prod. Co. v. Talon Petroleum, 907 F.2d 1012 (10th Cir. 1990) 10

Hough v. Leonard, 867 P.2d 438 (Okla. 1993) 10

I.S. Joseph Co. Inc. v. Mannesmann Pipe & Steel Corp., 408 F. Supp. 1023 (D. Minn. 1976) 30

International Shoe Co. v. Washington, 326 U.S. 310 (1945) 10,29

Johnson v. Flowers Indus., Inc., 814 F.2d 978 (4th Cir. 1987) 6

Karsten Mfg. Corp. v. United States Golf Assn, 728 F. Supp. 1429 (D. Ariz. 1990) 30

Key v. Liquid Energy Corp, 906 F.2d 500 (10th Cir. 1990) 14

Kipperman v. McCone, 422 F. Supp. 860 (N.D. Cal. 1976) . . . . . .

Leasco Data Processing Equip. Corp. v. Maxwell, 468 F.2d 1326 (2d Cir. 1972) 30

Lowell Staats Mining, 878 F.2d at 1264 19,22,23,26

Luckett v. Bethleham Steel, 618 F.2d 1373 (10th Cir. 1980) 13,29

Mainord v. Sharp, 569 P.2d 546 (Okla. Ct. App. 1977) 11

Mansour v. Superior Court, 46 Cal. Rptr. 2d 191 (Cal. Ct. App. 1995) 31

McClelland v. Watling Ladder Co., 729 F. Supp. 1316 (W.D. Okla. 1990) 4,12

Mountain View Pharmacy v. Abbott Labs., 630 F.2d 1383 (10th Cir. 1980) 33

N.L. Indus., Inc. v. Gulf & Western Indus., Inc., 650 F. Supp. 1115 (D. Kan. 1986) 34,35

National Indus. Sand Assn v. Gibson, 897 S.W.2d 769 (Tex. 1995) 30,31

New Orleans & N.E. Ry. Co. v. Hewett, 341 F.2d 406, 408 (5th Cir. 1965) 25

Oliver v. Farmers Ins. Group of Cos., 941 P.2d 985 (Okla. 1997) 13

Palmer v. Stokely, 255 F. Supp. 674 (W.D. Okla. 1966) 13

Quarles v. Fuqua Indus., 504 F.2d 1358 (10th Cir. 1974) 6,11

Rea v. An-Son Corp., 79 F.R.D. 25 (W.D. Okla. 1978) 13

Rush v. Savchuk, 444 U.S. 320 (1980) 30

Sportmart, Inc. v. Frisch, 537 F. Supp. 1254 (N.D. Ill. 1982) 30

Stauffacher v. Bennett, 969 F.2d 455 (7th Cir. 1992) 33

Steinway v. Majestic Amusement Co, 179 F.2d 681 (10th Cir. 1949) 6

Tara Petroleum Corp. v. Hughey, 630 P.2d 1269 (Okla. 1981) 11

Textor v. Board of Regents, 711 F.2d 1387 (7th Cir. 1983) 35

Tulsa Tribune Co. v. Oklahoma Tax Commn, 768 P.2d 891 (Okla. 1989) 11

Unicon Inv. v. Fisco, Inc., 349 A.2d 117 (N.J. Super. Ct. 1975) 18

Union Bank v. Ferris, 587 P.2d 454 (Okla. 1978) 4

Upjohn Company v. Syntro Corp., No. 89-107-JJS, 1990 WL 79232 (D. Del. March 27, 1990)19

Wallace v. Tulsa Yellow Cab Taxi & Baggage Co., 61 P.2d 645 (Okla. 1936) 11,14,29

Warner v. Hillcrest Med. Ctr., 914 P.2d 1060 (Okla. Ct. App. 1995) 11,14,28

Wegerer of Boston v. First Commodity Corp., 744 F.2d 719 (10th Cir. 1984) 29

Weinstein v. Norma M. Morris Corp., 432 F. Supp. 337 (E.D. Mich. 1977) 30

Williams v. Bowman Livestock Equip. Co., 927 F.2d 1128 (10th Cir. 1991) 12,28

World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286 (1980) 10

Wright v. Cies, 648 P.2d 51 (Okla. Ct. App. 1982) 32

STATUTES

SEC Standard Instructions for Filing Forms, 17 C.F.R. § 229 ..... 18, 27

SEC General Rules & Regulations, 17 C.F.R. § 240 25

Del. Code Ann. tit. 178, § 141(b) 15

Okla. Stat. tit. 12 § 2004.F 10

Okla. Stat. tit. 18 § 1001 et seq. (1991) 5

MISCELLANEOUS

Fed. Sec. L. Rep. (CCH) Vol. 7, ¶ 71,031 18

Fed. Sec. L. Rep. (CCH) Vol. 6, ¶ 69, 142 and 69, 143 18

Kenneth B. Watt, Piercing the Corporate Veil: A Need for Clarification of Oklahomas Approach, 28
Tulsa L.J. 869, 881 (1993) 14

Fletcher Cyc. Corp. § 41.30 27

PRELIMINARY STATEMENT

The issue before this Court is whether it has jurisdiction over Loews Corporation, an out-of-state holding company which has no contacts with Oklahoma and does not manufacture, market, sell, or distribute tobacco products. Plaintiffs have the burden of proof, and cannot satisfy it. Plaintiffs, unable to establish that Loews Corporation has the minimum contacts necessary to confer jurisdiction, ask this Court to ignore the separate legal identities of Loews Corporation and its indirect subsidiary Lorillard Tobacco Company, arguing that Lorillard Tobacco Company is a "mere instrumentality" or the alter-ego of Loews Corporation. Lacking the kind of hard evidence required for their alter-ego theory, however, plaintiffs rely on rhetoric, conclusory allegations, misstatements and statements out of context.

For example, plaintiffs quote from annual reports of Loews Corporation or other corporate documents in which Loews Corporations and its subsidiaries are discussed on a consolidated basis. This, according to plaintiffs, proves that they are not separate and distinct corporations. Plaintiffs are simply wrong. The fact that Loews Corporation reports on its subsidiaries, including Lorillard Tobacco Company, on a consolidated basis, as required by law and accounting principles, does not establish that Lorillard Tobacco Company is the mere instrumentality of Loews Corporation.

As a further example, plaintiffs claim that Loews Corporation "admits" that it is in the tobacco business. This is not the case. To support their erroneous claim, plaintiffs quote from notes to consolidated financial statements contained in Loews Corporation's 1979 Annual Report:

> "The Company [Loews] is principally engaged in insurance (property, casualty and life), the production and sale of cigarettes and watches and other timing devices, the operation of hotels, the exhibition of motion pictures and consumer finance."

Opp. at 25 (emphasis by plaintiffs). This quote appears on page 39 of the annual report in the Notes to Consolidated Financial Statement of Loews Corporation and its subsidiary; the bracketed language "[Loews]" was added by plaintiffs. It does not appear in the text. Moreover, plaintiffs fail to state that the financial statements are provided on a consolidated basis, with the word "Company" referring to Loews Corporation and its subsidiaries. Much more prominent in the Annual Report, on page 8, is the following language:

> Loews Corporation, through its subsidiaries, is engaged primarily in insurance (property, casualty and life), the production and sale of cigarettes and of watches and other timing devices, the operation of hotels, the exhibition of motion pictures, and consumer finance.

Plaintiff's Exhibit No. 42, page 8 (emphasis added).

Plaintiffs brief goes so far as to accuse Loews Corporation's counsel of misleading another court on a related issue. At pages 26-27, plaintiffs states:

> Plaintiff anticipates that counsel for Loews will try to mislead this Court as they misled the Florida Court by falsely claiming that Preston Tisch was President of Loews Theatres at the time this letter was written. Yet in 1978, Preston Tisch was President of Loews Corporation. Bernard Myerson was President of Loew's Theatres.

Plaintiffs' argument is, at best, disingenuous. Loews Corporation's Florida counsel was absolutely correct. Preston Tisch was the President of Loew's Theatres, Inc. in 1978; Bernard Myerson was President of the theater division of Loew's Theatres, Inc. (Exhibit 1, p.17). But that is beside the point. The problem faced by Loews Corporation's counsel at the Florida argument was the same as that faced by counsel here: plaintiffs reliance on tidbits of evidence taken out of context.

What plaintiffs' counsel did in Florida was exhibit a document to the Court and suggest that it was a Loews Corporation document. But, they did not display the full document, including the letterhead, which read: "Lorillard, a division of Loew's Theatres, Inc." A review of the unedited transcript reveals as much:

> PLAINTIFFS' COUNSEL: If we can put up the first document, please. This first document we relate to here, this is a letter written on March the 16th, 1978. You will see in the first paragraph that it talks about Preston Robert Tisch who is the current co-CEO of Loews Corporation. It refers to him as the President of Loews, a major New York corporation.
>
> It goes on with Exhibit Two and it talks about the publicity plan . . .
>
> LOEWS CORPORATION'S COUNSEL: Excuse me. If your Honor is going to be shown a document, could you show His Honor the top of the document which says Lorillard, a division of Loew's Theatres, Inc.? That was my point, Your Honor, that was the Loews that is referred to in the document.

Plaintiffs Exhibit No. 63, pp. 130-31.[1]

---

[1]The Florida case is notable for other comparisons as well. In that case, plaintiffs were represented by the same law firm as plaintiffs here, and in that case, plaintiffs' counsel took the depositions of both of Loews Corporation's Co-CEOs, its President, a director, and its Deputy General Counsel; as well as the CEO of Lorillard Tobacco Company. Plaintiffs in Florida also obtained extensive written discovery and document productions from Loews Corporation and Lorillard Tobacco Company, many of which have been presented to this Court as exhibits to plaintiffs' memorandum. In the Florida case, plaintiffs argued as they do here that Loews Corporation is an appropriate defendant because: (1) it engaged in tortious conduct in the forum state; and (2) it was the alter-ego of Lorillard Tobacco Company. The Court in Florida rejected both arguments, stating in its order dismissing Loews Corporation:

> "the question is whether [Loews Corporation] transacted business in Florida ... or committed the torts of negligence and/or marketing of allegedly defective products in Florida. The answer in each case is 'no'."

See Order granting in part defendants' motions to dismiss . . . , at 5-6 (attached as Exhibit 2). The (continued...)

Given the plaintiffs' approach here, the Court's comments in McClelland v. Watling Ladder Co., 729 F. Supp. 1316, 1320 (W.D. Okla. 1990), fit this case:

> [T]hese evidentiary tidbits merely provide the basis for speculation as to Watling's viability or Buschman's alleged use of the company as a shell; they do not constitute the kind of hard evidence necessary to support a prima facie showing of personal jurisdiction. See Union Bank v. Ferris, 587 P.2d 454, 455 (Okla. 1978) (noting that in Oklahoma "jurisdiction over nonresident defendants cannot be inferred, but must affirmatively appear from the record").

In the final analysis, there is no evidence that Lorillard Tobacco Company is the "mere instrumentality" of Loews Corporation -- because it is not.

Plaintiffs also argue that Loews Corporation is a "co-conspirator" with other entities which are subject to this Court's jurisdiction. This so-called "conspiracy theory" of jurisdiction fails for two reasons. First, this "conspiracy theory" has no basis in Oklahoma law -- or in fact. Oklahoma courts and due process require "minimum contacts" as to each defendant, regardless of the nature of the claims brought against it. Second, plaintiffs have not pled facts sufficient to support the underlying conspiracy claim as against Loews Corporation -- because there are no such facts in reality. Recognizing this, plaintiffs present a series of misquotations and tortured interpretations of documents that are presented one after another without full explanation in an attempt to confuse the issues and this Court.

Plaintiffs cannot show that Loews Corporation itself conspired with tobacco manufacturers -- because it did not. The so-called "history of deception" in plaintiffs' memorandum begins with alleged events in the early 1950s, nearly twenty years before Loews Corporation existed.

---

[1](...continued)
Court also specifically rejected the alter-ego theory: "These companies are holding companies not actively operating tobacco businesses." Id. at 6.

Loews Corporation held no interest, direct or indirect, in any company involved in the tobacco business until 1971. Plaintiffs' conclusory allegations fall far short of the particularized showing required by those few courts that allow parties to pursue conspiracy-based jurisdiction.

As is demonstrated below, plaintiffs' allegations fail to establish that Loews Corporation has, or has ever had, any connection to the State of Oklahoma sufficient to confer personal jurisdiction. Absent such a showing, the assertion of jurisdiction over Loews Corporation would violate firmly established principles of constitutional due process.

I. LOEWS CORPORATION AND LORILLARD TOBACCO COMPANY ARE SEPARATE, INDEPENDENT, LEGAL ENTITIES RECOGNIZED AS SUCH BY LAW

A. The Corporate Form is Well Established and Recognized by Oklahoma Law

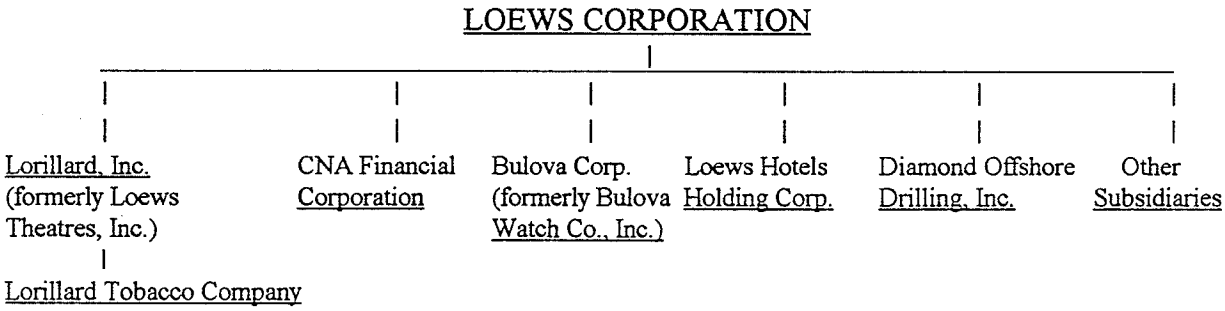
Loews Corporation is a holding company, a legal entity separate and apart from its subsidiaries. Loews Corporation owns stock in other subsidiary corporations, but remains a separate legal entity under the law. There is nothing improper or suspicious about the holding company, parent-subsidiary relationship. It is common corporate structure used by many American businesses. The principle of limited liability -- recognizing a corporation as a separate entity from its shareholders, whether they are individuals or other corporations -- is founded on public policies that Oklahoma courts, and courts throughout the nation, have long recognized. See Garrett v. Downing, 90 P.2d 636, 638 (Okla. 1939); Hearn v. Petra Int'l Corp., 710 P.2d 769, 770 (Okla. Ct. App. 1985). This principle has long been codified by the Oklahoma Legislature in Okla. Stat. tit. 18 § 1001 et seq. (1991). Courts have exercised extreme caution when requested to disregard this well-settled doctrine, as evidenced in the following language of the Fourth Circuit:

> Because it exercises control as a stockholder, [the parent] receives the benefits of the doctrine of limited liability.
>
> Under the doctrine of limited liability, a shareholder is not responsible for the acts of a corporation. The concept is expressed by the colorful metaphor of the corporate veil, which presumes the acts of the corporation are not the acts of the shareholder. Although [the parent] is a corporation, it receives the protection of limited liability. . . .
>
> [The parent] retains the benefits of limited liability even if it exercised some control over the . . . subsidiary. If stockholders were liable wherever they exercised their rightful control, limited liability would be a meaningless fiction because few individuals establish a corporation and then ignore it. As the courts recognize, ownership of a controlling interest in a corporation entitles the controlling stockholder to exercise the normal incidents of stock ownership, such as the right to choose directors and set general policies, without forfeiting the protection of limited liability.

Johnson v. Flowers Indus., Inc., 814 F.2d 978, 980-81 (4th Cir. 1987) (internal quotations and citations omitted, emphasis added). As a result, a state does not normally have personal jurisdiction over the parent of a subsidiary when the subsidiary is the only entity that has the requisite contacts with the state. Steinway v. Majestic Amusement Co, 179 F.2d 681, 683 (10th Cir. 1949) (applying Oklahoma law), cert. denied, 339 U.S. 947 (1950); Quarles v. Fuqua Indus., 504 F.2d 1358, 1362 (10th Cir. 1974). In short, a parent becomes the alter ego of its subsidiary "only if it exercises a degree of control that exceeds the control normally exercised by a parent corporation." Johnson, 814 F.2d at 981. Courts pierce the corporate veil only in the most extraordinary circumstances, which certainly are not presented here.

B. The Corporate Separateness of Loews Corporation and Lorillard Tobacco Company are Maintained by the Management of Those Companies

Plaintiffs, in an excess of rhetoric, refer to Loews Corporation's corporate history as "shams and shell games" to hide its "tobacco involvement." (Opp. at 10). This is simply not so. The relationship between Loews Corporation and Lorillard Tobacco Company is clear and clearly delineated in annual reports. Lorillard Tobacco Company is a subsidiary of Lorillard, Inc., which was formerly known as Loew's Theatres, Inc. Lorillard, Inc. is a subsidiary of Loews Corporation. The following chart illustrates Loews Corporation's current corporate structure:



The corporate histories of Lorillard Tobacco Company, Lorillard, Inc. and Loews Corporation are clearly set out in the Affidavit of Mark Schwartz, which was submitted in support of this motion. Nothing is hidden. In fact, plaintiffs detail the corporate history in their memorandum. (Opp. at IV). Loews Corporation has never hidden anything. Plaintiffs simply disregard long-held legal doctrines governing corporate law and instead obscure and ignore separate and distinct corporate entities, and fail to distinguish between Loews Corporation (the moving party), Loew's Theatres, Inc. and other current or former subsidiaries of Loews Corporation.

The business operations of Lorillard Tobacco Company are conducted and managed by Lorillard Tobacco Company itself. Loews Corporation's corporate relationship to Lorillard Tobacco Company is that of a shareholder of Lorillard Tobacco Company's parent company, Lorillard, Inc. (1996 Schwartz Affidavit, ¶ 18).

The president of Loews Corporation, James Tisch, was deposed in the State of Florida's unsuccessful attempt to establish jurisdiction over Loews Corporation in a similar case, State of Florida, et al. v. The American Tobacco Company, et al., Fifteenth Judicial Circuit Court in and for Palm Beach County, Florida, Case No. CL95-1466AH. In his deposition, James Tisch described the relationship between Loews Corporation and its subsidiaries -- including its indirect subsidiary Lorillard Tobacco Company -- as follows:

> I, in my role as president of Loews [Corporation], will talk to those chief executives [of the subsidiaries] from time to time and monitor the status of those businesses. But those businesses and those chief executives -- those chief executives run their own businesses subject to their boards.
>
> The Loews [Corporation] management would no sooner tell Lorillard how to market Newport cigarettes or where to offer coupons, and likewise we don't tell CNA where to sell Worker's Comp.. insurance or how to market their medical malpractice insurance.
>
> We let those businesses run themselves, and we monitor them and make sure that the individuals that are running those businesses are capable of doing so in a very competent manner.

(Dep. of James Tisch, Exhibit 3, at 52).

> Q. Does Loews direct the day-to-day business of Lorillard's tobacco?
>
> A. In no way.
>
> ****
>
> Q. Does Loews direct the day-to-day business of any of its subsidiaries?
>
> ****

A. No, we don't. We don't have nearly enough people or time in the day to do something like that.

(Id. at 144-45).

Counsel for plaintiffs also took the deposition of Laurence Tisch, Co-Chairman and Co-Chief Executive Officer of Loews Corporation. Laurence Tisch testified:

- that the "Lorillard Board and the Lorillard management" run the business of Lorillard. (Dep. of Laurence Tisch, Exhibit 4, at 191).
- that neither Loews Corporation nor its board has any committees that deal, in any way, with tobacco and health issues, tobacco litigation or cigarette advertising. (Id. at 61).
- that he is not aware of Loews Corporation ever providing any advertising services for its tobacco subsidiary. (Id. at 62).
- that Lorillard Tobacco Company did not report to the board of Loews Corporation regarding the development of the True cigarette. (Id. at 90).
- that he was unaware of Loews Corporation's board ever asserting any influence over Lorillard regarding its involvement with the Council for Tobacco Research or the Tobacco Institute. (Id. at 105).

In the same fashion, Loews Corporation did not manage Lorillard when it was a division of Loew's Theatres, Inc.:

> Lorillard ran its own business. They had a competent group of people there. And I was not consulted on the way they ran their business or what they did in their business. And I don't -- I wasn't consulted on research or expenditures for research or anything like that.

(Id. at 122-23).

Moreover, Loews Corporation does not now, nor has it ever, manufactured, distributed or sold cigarettes in Oklahoma. (1996 Schwartz Affidavit, ¶¶ 9-10). Loews Corporation does not now, nor has it ever, designed, advertised, marketed, processed, serviced, or manufactured

any products, materials or things anywhere which were used or consumed within Oklahoma in the ordinary course of commerce, trade or use. (1996 Schwartz Affidavit, ¶¶ 9-10).

II. PLAINTIFFS HAVE NOT SATISFIED THEIR BURDEN OF PROOF NECESSARY TO ESTABLISH PERSONAL JURISDICTION

A. Minimum Contacts - Due Process

Any assertion of personal jurisdiction pursuant to Oklahoma law must comply with constitutional due process requirements. Home-Stake Prod. Co. v. Talon Petroleum, 907 F.2d 1012, 1020 (10th Cir. 1990) (applying Oklahoma law). Oklahoma's long-arm statute, Okla. Stat. tit. 12 § 2004.F, is intended to make the jurisdiction of the state's courts coextensive with the limits of due process. Hough v. Leonard, 867 P.2d 438, 442 (Okla. 1993); Home-Stake, 907 F.2d at 1020. Consequently, the critical inquiry is whether the assertion of jurisdiction over Loews Corporation by this Court is constitutionally permissible.

The law is clear: under the United States Constitution minimum contacts are required to support personal jurisdiction. See International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945); World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 297 (1980). Plaintiffs never seriously attempt to establish that Loews Corporation itself has the minimum contacts necessary to fall within the jurisdiction of this court. In fact, after months of discovery plaintiffs have no evidence that Loews Corporation ever manufactured or sold cigarettes. Loews Corporation never has. Plaintiffs have no evidence that Loews Corporation has ever conducted business in Oklahoma. Loews Corporation never has. Plaintiffs have no evidence Loews Corporation has had any contact with Oklahoma whatsoever. Loews Corporation never has. Lorillard Tobacco Company manufactures cigarettes for sale in Oklahoma and does not challenge jurisdiction here. Plaintiffs must

seek their remedy from Lorillard Tobacco Company, not its indirect shareholder. No genuine issue exists regarding the fact that Loews Corporation has no contacts with Oklahoma; that Loews Corporation does not manufacture or sell cigarettes. Instead, plaintiffs must fall back on the assertion that Loews Corporation is somehow the alter-ego of Lorillard Tobacco Company, seeking the extraordinary equitable relief of piercing the corporate veil. See Quarles, 504, F.2d at 1362 (10th Cir. 1974). Nothing supports such extraordinary action.

The doctrine of piercing the corporate veil is a fairness doctrine based in equity. See Alberto v. Diversified Group Inc., 55 F.3d 201 (5th Cir. 1995). This extraordinary remedy applies only when a fraud or injustice would result if the corporate veil were not pierced. See In re Acushnet River, 675 F. Supp. 22, 33 (D. Mass. 1987); Quarles, 504 F.2d at 1362 (10th Cir. 1974) (disregarding corporate entity justified if "injustice would occur to third parties").

Oklahoma courts are extremely reluctant to disregard corporate identity, and do so only in those rare and extraordinary circumstances when the requisite showing can be made. In order to pierce the corporate veil, plaintiffs must show "that the subsidiary . . . function(s) entirely as (an) instrumentality or an adjunct of the parent, and that circumstances require disregard of separate corporate entities to avoid fraud or injustice." Tulsa Tribune Co. v. Oklahoma Tax Comm'n, 768 P.2d 891, 892 (Okla. 1989). See also Tara Petroleum Corp. v. Hughey, 630 P.2d 1269, 1275 (Okla. 1981); Gulf Oil Corp. v. State of Oklahoma, 360 P.2d 933, 936 (Okla. 1961); Wallace v. Tulsa Yellow Cab Taxi & Baggage Co., 61 P.2d 645 (Okla. 1936); Warner v. Hillcrest Med. Ctr., 914 P.2d 1060, 1067 n.5 (Okla. Ct. App. 1995); Mainord v. Sharp, 569 P.2d 546, 548 (Okla. Ct. App. 1977). Thus, plaintiffs must establish: 1) Lorillard Tobacco Company was merely the "instrumentality" of

Loews Corporation; and 2) that the separate corporate existence is a design or scheme to perpetrate a fraud.

The plaintiffs bear the burden of establishing personal jurisdiction over Loews Corporation. Williams v. Bowman Livestock Equip. Co., 927 F.2d 1128, 1130 (10th Cir. 1991) (applying Oklahoma law). To support their theories, however, plaintiffs simply make conclusory statements and use of evidentiary tidbits as support thereof. This is not enough. McClelland v. Watling Ladder Company, 729 F. Supp. at 1320. Nothing plaintiffs cite or quote remotely supports this Court's taking the extraordinary step of piercing the corporate veil to assert jurisdiction over Loews Corporation.

B. Lorillard Tobacco Company Is Not the Mere Instrumentality of Loews Corporation

Plaintiffs must prove that Lorillard Tobacco Company is a mere instrumentality of Loews Corporation. See Frazier v. Bryan Memorial Hosp. Auth., 775 P.2d 281, 288 (Okla. 1989). In determining whether one corporation is a mere "instrumentality" of another, courts applying Oklahoma law consider ten factors that originated in Fish v. East, 114 F.2d 177 (10th Cir. 1940):

(1) The parent corporation owns all or majority of the capital stock of the subsidiary.
(2) The parent and subsidiary corporations have common directors or officers.
(3) The parent corporation finances the subsidiary.
(4) The parent corporation subscribes to all the capital stock of the subsidiary or otherwise causes its incorporation.
(5) The subsidiary has grossly inadequate capital.
(6) The parent corporation pays the salaries or expenses or losses of the subsidiary.
(7) The subsidiary has substantially no business except with the parent corporation or no assets except those conveyed to it by the parent corporation.
(8) In the statements of its officers, "the subsidiary" is referred to as such or as a department or division.

(9) The directors or executives of the subsidiary do not act independently in the interest of the subsidiary but take direction from the parent corporation.

(10) The formal legal requirements of the subsidiary as a separate and independent corporation are not observed.

Id. at 191. These factors were adopted by the Oklahoma Supreme Court in Frazier, 775 P.2d at 288. See Rea v. An-Son Corp., 79 F.R.D. 25, 30 (W.D. Okla. 1978); Oliver v. Farmers Ins. Group of Cos., 941 P.2d 985, 987 (Okla. 1997). Plaintiffs must establish at least a majority of the Fish factors. See Luckett v. Bethleham Steel, 618 F.2d 1373, 1378 (10th Cir. 1980); See also Palmer v. Stokely, 255 F. Supp. 674, 681 (W.D. Okla. 1966).

In Luckett, a case with far more extensive connections between a parent and its subsidiary than those alleged by plaintiffs to exist between Loews Corporation and Lorillard Tobacco Company, the Tenth Circuit declined to employ the alter-ego theory and found that no personal jurisdiction existed over the parent. Id. There, plaintiffs sued Bethlehem Steel Corporation and its subsidiary Bethlehem Singapore, claiming that the subsidiary was a mere instrumentality of the parent. The parent provided ten managers to the subsidiary, many of whom were simultaneously employed by the parent; indirectly owned 70 percent of the subsidiary's stock; provided technical, sales and managerial assistance to the subsidiary pursuant to a services agreement; and dominated the subsidiary's decision-making. In addition, the contracts were entered into at the parent's office. The Tenth Circuit found that the corporate separation between the parent and its subsidiary should be respected, and that personal jurisdiction did not exist over the parent. Id. Here, with far weaker connections alleged to exist between Loews Corporation and Lorillard Tobacco Company, Loews Corporation should likewise be dismissed from this case.

The ten factors as they relate to the facts of this case and the allegations made by plaintiffs are discussed in detail below. As will be shown, plaintiffs cannot meet their burden of establishing a majority of the factors to be considered under Fish.

1. Stock Ownership and Corporate Directors and Officers

Factors one, two and four in the Fish analysis concern stock ownership, corporate directors, and manner of incorporation. Contrary to plaintiffs' assertions, stock ownership alone, even one hundred percent, is not enough to deem the subsidiary to be an instrumentality of the parent corporation. Employing the "alter ego" theory is not justified if one corporation simply owns all the stock of another. Wallace, 61 P.2d at 648; Warner, 914 P.2d at 1067; Edgar v. Fred Jones Lincoln-Mercury of Oklahoma City, Inc., 524 F.2d 162, 166 (10th Cir. 1975) (applying Oklahoma law). To accept plaintiffs' theory would be to disregard a basic principle of American corporate law.

Plaintiffs claim that Loews Corporation dominated Lorillard Tobacco Company because there are board members common to both entities. There is nothing significant or remarkable about this, it is usual and customary for a parent and subsidiary to have common directors, officers and employees. See Frazier, 775 P.2d at 288; see also Kenneth B. Watt, Piercing the Corporate Veil: A Need for Clarification of Oklahoma's Approach, 28 Tulsa L.J. 869, 881 (1993). Commonality of directors and officers is not enough to pierce the corporate veil. Key v. Liquid Energy Corp, 906 F.2d 500, 504 (10th Cir. 1990). Lorillard Tobacco Company is run by its Board of Directors, officers and employees under the supervision of its board. See Affidavit of Mark Schwartz, October 1997, ¶ 3 (attached as Exhibit 5, hereafter referred to as "1997 Schwartz Affidavit").

Plaintiffs claim that Lorillard Tobacco Company has three board members and for that reason this "[s]ubsidiary does not have a full board of directors." (Opp. at 13). This claim is

incorrect and has no legal significance. Lorillard Tobacco Company is incorporated in Delaware. Delaware law states that "[t]he board of directors of a corporation shall consist of one or more members." Del. Code Ann. tit. 178, § 141(b). Thus, Lorillard Tobacco Company has a full board of directors.

Further, Loews Corporation did not cause Lorillard Tobacco Company's incorporation. The Lorillard tobacco business is much older than Loews Corporation. In fact, it was acquired by Loew's Theatres, Inc. before Loew's Theatres, Inc. became a subsidiary of Loews Corporation. (See 1996 Schwartz Affidavit, ¶¶ 2-3). Therefore, plaintiffs cannot establish that Lorillard Tobacco Company is the instrumentality of Loews Corporation based upon the manner of incorporation, the number or makeup of corporate directors and officers, and stock ownership.

Except for the fact that Lorillard Tobacco Company is an indirect, wholly-owned subsidiary of Loews Corporation, a fact which is insufficient to convey jurisdiction, plaintiff fails to establish factors one, two and four.

2. Loews Corporation does not pay the salaries, expenses or losses of Lorillard Tobacco Company

This is the sixth factor. Plaintiffs rely on misconstrued statements from a Loews Corporation Annual Report and a tortured interpretation of a services agreement between Loews Corporation and Lorillard Tobacco Company in an attempt to argue that Loews Corporation pays the salaries, expenses or losses of its indirect subsidiary. The services agreement is a contractual agreement between the two companies. The contracted services are administrative in nature and have nothing to do with designing, testing, manufacturing, advertising, marketing, or selling cigarettes. (Plaintiffs' Exhibit 30, p. 6; 1997 Schwartz Affidavit, ¶ 4). It does not establish that Loews

Corporation "controlled" its indirect subsidiary. In fact, Lorillard Tobacco Company pays in cash for all services it receives pursuant to the services agreement it has with Loews Corporation. For example, the services agreement provides for assistance with insurance, as acknowledged by Dr. Alexander Spears in his August 1996 deposition. (Plaintiffs' Exhibit 31, p. 281; In 25). Once again, plaintiffs do not provide the full picture. The cost of insurance, and all other services provided to it, is paid by Lorillard Tobacco Company pursuant to the services agreement.

The services agreement itself illustrates the autonomy of the subsidiaries of Loews Corporation. Specifically, the 1986 Agreement expressly states:

> Section 3. Relationship Between the Parties.
>
> (a) Each party acknowledges that the services provided hereunder by each party to the other are intended to be administrative, technical or ministerial and not to set policy for the other party. Each party shall continue to set corporate policy independently through its own Board of Directors.

(Plaintiffs' Exhibit 30, p. 6).

Plaintiffs mislead the court when they state that Loews Corporation funds retirement plans for eligible employees of Lorillard Tobacco Company. (Opp. at 14). In fact, Loews Corporation has adopted a pension plan in which Lorillard Tobacco Company has participated on behalf of its eligible employees. But, Lorillard Tobacco Company has contributed to the plan on behalf of its eligible employees and has paid its share of the cots of the pension plan. (1997 Schwartz Affidavit ¶4). Loews Corporation does not pay the salaries, pensions, expenses or losses of Lorillard Tobacco Company, and plaintiffs fail to provide any credible evidence to show otherwise. Plaintiffs fail to establish factor six.

3. Loews Corporation does not finance Lorillard Tobacco Company and the two entities do not commingle assets and affairs

The third, fifth and seventh Fish factors concern corporate financing and commingling of assets. Nothing in the financial relationship between Loews Corporation and Lorillard Tobacco Company supports piercing the corporate veil between them. To suggest that Lorillard Tobacco Company has no business except with Loews Corporation is preposterous. Lorillard Tobacco Company manufactures and sells cigarettes. Lorillard Tobacco Company conducts its business with unaffiliated wholesalers and retailers, not Loews Corporation.

Lorillard Tobacco Company has never commingled its corporate assets with Loews Corporation and has never relied on Loews Corporation for financing or capital contributions. (1997 Schwartz Affidavit, ¶¶2, 5, 6). In addition, Loews Corporation maintains its own bank accounts, check books, investments, and financial records. (1997 Schwartz Affidavit ¶ 2). The financial records of Lorillard Tobacco Company, including its parent, Lorillard, Inc., are the subject of separate financial statements, audited and reported by independent accountants. (1997 Schwartz Affidavit, ¶ 2).

Loews Corporation is a publicly-traded company. Accordingly, it files Annual Reports with the Securities Exchange Commission (SEC) on Form 10-K. In these reports, Loews Corporation is required to report on itself and its subsidiaries on a consolidated basis. Under SEC regulations Loews Corporation must "describe the business done and intended to be done by the registrant [Loews Corporation] and its subsidiaries." 17 C.F.R. § 299.101 (emphasis added). Consolidated financial statements must be included in the 10-K. 17 C.F.R. § 229.301. Under 17 C.F.R. § 229.301, "All references to the registrant [Loews Corporation] in the table of selected

financial data and in this item shall mean the registrant and its subsidiaries consolidated." See Fed. Sec. L. Rep. (CCH) Vol. 7, ¶ 71,031 (emphasis added). Similarly, Regulation S-X, which governs the preparation of financial statements included in Form 10-K, provides in Rules 3-01 and 3-02 that "[t]here shall be filed, for the registrant and its subsidiaries consolidated, audited [financial statements]." See Fed. Sec. L. Rep. (CCH) Vol. 6, ¶ 69, 142 and 69, 143 (emphasis added).

Nonetheless, in an apparent effort to confuse the corporate entities, the law and this court, plaintiffs -- when quoting the Annual Reports -- mischaracterize the Reports' use of "Company" as "Loews Corporation." Plaintiffs, however, do not reveal the information provided on Loews Corporation's Report on Form 10-K, which are filed with the Securities and Exchange Commission. The Report on Form 10-K clearly define the term "Company" used in those reports to include Loews Corporation, a holding company, and its subsidiaries. The 1990 report, for example, states:

> Loews Corporation (hereinafter together with its subsidiaries referred to as the "Company" or the "Registrant"), through its subsidiaries, is engaged in the production and sale of cigarettes and other tobacco products, the operator of hotels....

Loews Corporation 1990 Report on Form 10-K at Item 1. (Exhibit 6). The same or very similar language is found in each of Loews Corporation's Reports on Form 10-K. (See Exhibits 7-21, at Item 1 of each).

The fact that a corporation's annual reports refer to the parent and subsidiaries collectively simply does not support the alter ego theory. Unicon Inv. v. Fisco, Inc., 349 A.2d 117, 128 (N.J. Super. Ct. 1975) (parent corporation's annual report using the terms "we" and "our" to refer to its subsidiary's activities in the forum held not to subject the parent to personal jurisdiction

in that forum); Upjohn Company v. Syntro Corp., No. 89-107-JJS, 1990 WL 79232 (D. Del. March 27, 1990) (parent's reference to its subsidiary's products as its own in its annual report does not justify piercing the corporate veil); Akzona, Inc. v. E.I. Du Pont De Nemours & Co., 607 F. Supp. 227, 237-40 (D. Del. 1984) (parent's reference in its annual report taking credit for certain projects of subsidiary held insufficient to support exercise of personal jurisdiction over parent). It is thus clear that plaintiffs, lacking any real evidence to pierce the corporate veil here, have resorted to "creating it."

In Lowell Staats Min. Co. v. Pioneer Uravan, Inc., the plaintiff sought to pierce the corporate veil by alleging what plaintiffs in this case cannot -- that the subsidiary, Pioneer Uravan, was undercapitalized and received financing, in the form of long-term loans, from the parent, Pioneer Corporation. 878 F.2d 1259, 1263 (10th Cir. 1989). Addressing first that Uravan received several large financial advances over a four-year period from its parent, the court held that even such conduct did not subject Pioneer Corporation to liability. In so doing, the Tenth Circuit suggested that more was required than simply proof of financial loans from parent to subsidiary; rather, some evidence must exist that the loans were provided for the purpose of perpetrating a fraud. Id. "Pioneer will not be exposed to liability for the obligations of Uravan when Pioneer contributes funds to Uravan for the purpose of assisting Uravan in meeting its financial obligations and not for the purpose of perpetrating a fraud." Id. (citation omitted).

Lowell Staats Mining also addresses commingling of assets, stating that "this factor [commingling] alone is an insufficient basis to impose liability on" parent corporations. Id. at 1264. Thus, even if plaintiffs could establish commingling of assets (which does not exist), that would not

be sufficient grounds, in and of itself, on which to pierce the corporate veil between Loews Corporation and Lorillard Tobacco Company.

Plaintiffs claim that "Loews Corporation's annual reports illuminate Loews' heavy involvement in providing Lorillard Tobacco Company the cash it needs to operate." (Opp. at 14). Despite the voluminous financial information provided by Loews Corporation as a public company, the only support plaintiffs have for this erroneous claim are references to "short-term borrowing" in two Loews Corporation consolidated annual reports, 1980 and 1981. The 1981 annual report states: "Tobacco inventory is purchased on a seasonal basis and the Company is at times required to incur short-term borrowings for this purpose." (Plaintiffs' Exhibit 26, p. 10). The term "Company" clearly refers to the consolidated entity, as required by law and generally accepted accounting principles. Loews Corporation itself has no tobacco inventory. In 1980 and 1981, the Lorillard division of Loews Corporation's subsidiary, Loew's Theatres, Inc., did have tobacco inventory and may have incurred short-term borrowing on occasion to purchase that inventory. That borrowing was reported, on a consolidated basis, in Loews Corporation's Annual Reports. Loews Corporation itself does not borrow money on behalf of Lorillard Tobacco Company or finance its inventories. (1997 Schwartz Affidavit, ¶ 6).

Loews Corporation does not provide capital contributions to Lorillard Tobacco Company. On two occasions, in 1991 and 1997, Loews Corporation contributed used computer equipment to Lorillard Inc.; the equipment was then contributed by Lorillard, Inc. to Lorillard Tobacco Company. Although the value of the computers is *de minimis*, plaintiffs assert that this transfer is somehow evidence of Loews Corporation's paying Lorillard Tobacco Company's expenses. At the time of transfer, the equipment was worth approximately two million dollars which

is less than 1/2 of 1% of Lorillard, Inc.'s total assets. (1997 Schwartz Affidavit ¶ 5). Once again, plaintiffs' claims are hollow.

Plaintiffs cannot establish factors three, five and seven.

4. Lorillard Tobacco Company is not a division or a department of Loews Corporation

The eighth factor for determining whether a subsidiary corporation is an instrumentality of its parent considers whether the subsidiary is a division of the parent. Fish, 114 F.2d at 191. Lorillard Tobacco Company has never been operated as a division or department of Loews Corporation. Mr. Schwartz's 1996 Affidavit clearly outlines Loews Corporation's history. Loews Corporation held no interest in any company involved in the tobacco business until 1971, when Loew's Theatres, Inc. -- an already-existing entity -- became a wholly-owned subsidiary of Loews Corporation. At that time, "Lorillard" was a division of Loew's Theatres, Inc. -- indeed, it operated under and held itself out to the public as "Lorillard, A Division of Loew's Theatres, Inc." When Loew's Theatres, Inc. changed its name to Lorillard, Inc. in 1985 (to reflect the nature of its business after the disposition of its hotel and theater divisions), it remained a subsidiary of Loews Corporation. In 1989 when Lorillard, Inc. transferred its tobacco operations to its newly-formed subsidiary, Lorillard Tobacco Company, Lorillard, Inc. remained a subsidiary of Loews Corporation, and Lorillard Tobacco Company became a wholly-owned subsidiary of Lorillard, Inc. Thus, plaintiffs are plainly incorrect when they suggest that "Lorillard" was ever a division of Loews Corporation.

Loews Corporation and Lorillard Tobacco Company have observed and respected their separate corporate formalities. They have had separate boards of directors, separate board

meetings, separate principal places of business, separate bank accounts, separate payrolls and have maintained separate records. (1997 Schwartz Affidavit ¶¶ 2-3).

Plaintiffs take up one-third of their brief selectively quoting sentences from Loews Corporation's Annual Reports in an attempt to distort Loews Corporation's business. (Opp. at 14-25). Loews Corporation's compliance with federally-mandated, consolidated reporting requirements does not convert Loews Corporation into the "alter ego" of Lorillard Tobacco Company. The Annual Reports cited by plaintiffs clearly reveal the true relationship between Loews Corporation and its subsidiaries. Likewise, the filing of consolidated tax returns, in accordance with federal regulations, is a "common business practice." Lowell Staats Mining, 878 F.2d at 1264. In fact, the filing of consolidated financial reports is a factor to consider only when it has already been established that the parent corporation dominates or controls the activities of the subsidiary. Id. (citing Sabine Towing & Transp. Co. v. Merit Ventures, Inc., 575 F. Supp. 1442, 1447 (E.D. Tex. 1983)).

Here, plaintiffs want this Court to do just the opposite. That is, they want to establish Loews Corporation's "dominion and control" over Lorillard Tobacco Company through a tortured reconstruction of statements made in Loews Corporation's consolidated financial reports. Loews Corporation's publication of consolidated reports is not probative of the issue of whether Loews Corporation dominates or controls the activities of Lorillard Tobacco Company and should not be considered as such by this court. Lowell Staats Mining, 878 F.2d at 1264. Not only are plaintiffs' references to Loews Corporation's Annual Reports misleading, they are irrelevant. In fact, the court may disregard much of plaintiffs' argument because referencing federally regulated annual reports is not probative of the issues before this court. Id.

Plaintiffs attempt to obscure the real issue -- that at all times Loews Corporation observed proper corporate formalities -- by relying exclusively on misconstrued statements where "Lorillard" was very sporadically referred to as a division. That is not sufficient. In fact, for several years, "Lorillard" was operated as a division of Loew's Theatres, Inc. Indeed it held itself out to the public as Lorillard, A Division of Loew's Theatres, Inc.; not Loews Corporation. (See 1996 Schwartz Affidavit ¶¶ 4, 7). Plaintiffs' citations to consolidated annual reports which address Lorillard as "Lorillard Division" during this time period are not probative of any issue in dispute. They certainly do not establish that Loews Corporation was the alter ego of Loew's Theatres, Inc. or its tobacco division.

In American Trading & Prod. Corp. v. Fischbach & Moore, Inc., the court addressed similar allegations against a parent company which had, in annual reports and magazine advertisements, referred to itself and its subsidiary as "one family" and taken credit for work done by a subsidiary. 311 F. Supp. 412 (N.D. Ill. 1970). "The fact that the Parent considers its subsidiaries to be members of a 'family' does not destroy the separate existence of each member." Id. at 416 (citing New Orleans & N.E. Ry. Co. v. Hewett, 341 F.2d 406, 408 (5th Cir. 1965)). "Nor does the Parent's boastful advertising show in any way that corporate identities were otherwise ignored by the participants in the conduct of their enterprises." Id.

As in American Trading, what is said in Loews Corporation's consolidated annual reports does not destroy the separateness that has always existed between Loews Corporation and Lorillard Tobacco Company. Plaintiffs' blunderbuss does nothing to counter the unrefuted facts that Lorillard Tobacco Company is independent of Loews Corporation. Plaintiffs do not establish the eighth Fish factor.

5. Lorillard Tobacco Company directors and executives act independently and not at the direction of Loews Corporation

The ninth Fish factor concerns the independence of the subsidiary's directors and executives. Loews Corporation has no management committee which directs or has directed any part of Lorillard Tobacco Company's ordinary business operations. (Dep. of James Tisch, Exhibit 3, at 52). Loews Corporation and Lorillard Tobacco Company have separate and independent Board of Directors which each have meetings separate and independent from the Board of Directors of any other corporation. Lorillard Tobacco Company's business operations are conducted and managed by Lorillard Tobacco Company itself.

Plaintiffs argue that a change in accounting procedures by Loew's Theatres, Inc. in 1974 and reported in Loews Corporation's consolidated Annual Report suggests that Loews Corporation "makes significant management decisions" for Lorillard Tobacco Company. (Opp. at 20). In fact, the change in accounting procedure by Loew's Theatres, Inc. was decided independently by that company and reported in its independent financial statements. (Exhibit 22, p. 4). That it was also reported by Loews Corporation in a consolidated report is unrevealing.

The record is clear: Loews Corporation executives do not dictate the hiring practices of Lorillard Tobacco Company. Plaintiffs' claims to the contrary are refuted by the record. Andrew Tisch and James Tisch both testified that Loews Corporation -- as the shareholder of Lorillard, Inc. -- could recommend to the board of Lorillard, Inc. that it, in turn, recommend to the board of Lorillard Tobacco Company that it change its CEO. Specifically, James Tisch testified:

> It would be done by means of working through the board. Yes. We might -- we, Larry [Tisch], Bob [Tisch] and myself, might come to that conclusion, **but that would be a decision ultimately for the board of the subsidiary to resolve**.

(James Tisch Dep., Exhibit 3, p. 54 (emphasis added)); see also Andrew Tisch Dep. (Exhibit 23, p. 22-23).

Plaintiffs claim Loews Corporation has a "deep and ongoing involvement with the tobacco industry." The evidentiary tidbit offered in support of this proposition -- that the board of directors' of Loews Corporation has made recommendations concerning certain shareholder proposals required by federal law in to be included Loews Corporation proxy statements -- misses the point. (Opp. at 20). First, each shareholder proposal in question would have had Loews Corporation intrude, to one degree or another, into the tobacco business of Lorillard Tobacco Company. Second, the proposals were those of some shareholders, not Loews Corporation. Plaintiffs' reliance on these proposals ignores the rules and regulations governing proxy statement proposals. According to these regulations, shareholder proposals are to be provided by the shareholder and "the registrant [Loews Corporation] shall not be responsible for such statement and the proposal to which it relates." 17 C.F.R. § 240.14(a) - 8(b)(1) (emphasis added). The statute clearly mandates that Loews Corporation bears no responsibility for these shareholder proposals. Under SEC Regulations, Loews Corporation was, and is, required to submit proposed resolutions of qualifying shareholders to a vote at its annual meeting of shareholders regardless of whether Loews Corporation approves or disapproves of them. 17 C.F.R. § 240.14(a)-8. Loews Corporation's Board advised its shareholders why the resolutions were not in the company's interest -- a standard responsibility of a governing board and consistent with the federal securities laws. (Plaintiffs' Exhibit

52, p. 11). Loews Corporation's recommendations to the shareholders of Loews Corporation that Loews Corporation not intervene in the operations of its indirect subsidiary, Lorillard Tobacco Company, is hardly evidence that Loews Corporation controlled, established or directed tobacco policy.

The fact that Loews Corporation takes an interest in the business of Lorillard Tobacco Company is of no moment here. Loews Corporation's corporate relationship to Lorillard Tobacco Company is that of a the shareholder of Lorillard Tobacco Company's parent, Lorillard, Inc. (See 1996 Schwartz Affidavit ¶ 8). The United States Supreme Court has stated "([t]hat a [holding corporation] stockholder should show concern about the [subsidiary] company's affairs, ask for reports, sometimes consult with its officers, give advice and even object to proposed action is but the natural outcome of [the] relationship)" between the parent and its subsidiary. Lowell Staats Mining, 878 F.2d at 1264 (quoting United States v. Elgin, J. & E. Ry. Co., 298 U.S. 492, 503-04 (1935) (declining to find that parent holding corporation is alter ego of its subsidiary). This is the type of interest that is expected of parent companies or indeed of any corporate shareholder. Id. It does not support the proposition that Lorillard Tobacco Company is a mere instrumentality of Loews Corporation. Plaintiffs' claims based upon these allegations must, therefore, fail. Plaintiffs fail to establish the ninth factor.

6. The formal legal requirements of the subsidiary as a separate and independent corporation are observed

The tenth factor is whether the parent company observes formal legal requirements of its subsidiaries as a separate and independent corporation.

Loews Corporation and Lorillard Tobacco Company are not sham corporations; they are separate and distinct companies. There has been no failure to observe the separate identities of the two corporations. The detailed financial reports contained in the Annual Reports are a far cry from not keeping "separate books" for each corporation. In fact, each corporation keeps and maintains extensive separate and distinct financial and accounting records. (1997 Schwartz Affidavit, ¶ 2). Furthermore, it is undisputed that Loews Corporation and Lorillard Tobacco Company maintain separate principal places of business with different addresses and distinct letterhead. (1997 Schwartz Affidavit ¶ 3). SEC filings and Annual Reports hardly have the effect of so blurring the lines between two corporations that third parties have no way of knowing with which entity they are dealing. Id. Federal law mandates that a corporation refer to itself and its subsidiaries on a consolidated basis in their Annual Reports. See 17 C.F.R. § 229.101. Loews Corporation's Annual Reports, which follow federally mandated requirements of referring to itself and its subsidiaries on a consolidated basis cannot seriously be claimed to mislead third parties as to the separateness between Loews Corporation and its subsidiaries.

Finally, it is undisputed that both Loews Corporation and Lorillard Tobacco Company have operated in compliance with the corporate formalities applicable to each. Such corporate formalities include the signing of consents, holding director and shareholder meetings and issuing stock before commencing business. See Fletcher Cyc. Corp. § 41.30. Plaintiffs have not and cannot make allegations that these formalities have not been observed. Plaintiffs shamelessly assert that "Loews Corporation swallowed every element" of its subsidiary's operations. Again, plaintiffs misinterpret and misquote consolidated Annual Reports in order to create confusion concerning the two entities. Courts will only pierce the veil when third parties have no way of knowing with whom

they are dealing. See Gulf Oil Corp. v. State of Oklahoma, 360 P.2d 933, 936 (Okla. 1969). Plaintiffs do not establish the tenth factor.

* * * * *

Plaintiffs have not established any one factor to support a finding that Lorillard Tobacco Company is a mere "instrumentality" of Loews Corporation. Loews Corporation's uncontroverted affidavits eviscerate all allegations plaintiffs proffer in their memorandum. See Williams, 927 F.2d at 1130 (noting that allegations should be taken as true only "to the extent they are uncontroverted by the defendant's affidavits"). Plaintiffs fail to offer any sworn statements contradicting the assertions made in Loews Corporation's affidavits. Therefore, plaintiffs cannot establish personal jurisdiction in this case. See American Land Program, Inc. v. Bonaventura Uitgevers Maatschappij, N.V., 710 F.2d 1449, 1443 (10th Cir. 1983).

C. No Threat of Fraud or Injustice Exists Which Would Require Piercing the Corporate Veil

A plaintiff must demonstrate fraud or injustice to justify piercing the veil. "[I]t has long been the law that the corporate entity is only ignored when the ends of justice require it." American Trading & Prod. Corp. 311 F. Supp. at 416 (citing Taylor v. Standard Gas & Elec. Co., 306 U.S. 307 (1939); Anderson v. Abbott, 321 U.S. 349 (1944)). "Some element of unfairness, something akin to fraud or deception, or the existence of a compelling public interest must be present in order to disregard the corporate fiction." American Trading & Prod. Corp., 311 F. Supp. at 416.

No showing is made that the corporate structure of Loews Corporation and Lorillard Tobacco Company was "used . . . [to] justify wrong [or] to perpetrate fraud." Warner, 914 P.2d at 1067 n.5 (emphasis added). Further, the corporate structure of the two entities must be "**designed** to perpetrate fraud," Gulf Oil Corp., 360 P.2d at 936 (Okla. 1961) (emphasis added), and the "fraud or inequitable conduct [must] result from the use of the corporate structures. . . ." Luckett v. Bethlehem Steel Corp., 618 F.2d 1373, 1379 (10th Cir. 1980). Plaintiffs have not even attempted to make such a showing, and for good reason -- Lorillard Tobacco Company is a lawful, profitable business, and in no way a "dummy or sham." See Wallace, 61 P.2d at 648. Plaintiffs have not alleged, and it cannot be said that the corporate distinction was "used" to perpetrate fraud; thus, the Robertson test is not met. No reason exists to disregard the corporate distinction between Loews Corporation and Lorillard Tobacco Company.

III. PLAINTIFFS HAVE FAILED TO ESTABLISH THAT JURISDICTION EXISTS OVER LOEWS CORPORATION ON A "CONSPIRACY THEORY"

A. Plaintiffs' "Conspiracy Theory" of Jurisdiction Violates the Due Process Clause of the United States and Oklahoma Constitutions

Plaintiffs' "conspiracy theory" of jurisdiction has no foundation in Oklahoma law. No Oklahoma court has ever recognized it.[2] Plaintiffs' theory ignores the due process concerns of

[2]Contrary to Plaintiff's Suggestion, Wegerer of Boston v. First Commodity Corp. 744 F.2d 719 (10th Cir. 1984), and American Land Program v. Bonaventura Uitgevers Maatschappij, N.V., 710 F.2d 1449 (10th Cir. 1983), do not support the exercise of a conspiracy theory of personal jurisdiction in this case. Neither case applied Oklahoma law (Wegerer -- Kansas; American Land Program -- Utah), they are not binding upon this Court, and to the extent that they may suggest that a conspiracy theory of jurisdiction is appropriate, they were wrongly decided, as evidenced by the plethora of cases that have rejected such a conspiracy theory of personal jurisdiction. (See footnote 3, below.)

International Shoe, which require "minimum contacts" by a non-resident defendant with the forum state to confer jurisdiction. 326 U.S. at 316. The mere presence of an alleged co-conspirator in the forum state does not confer jurisdiction. Leasco Data Processing Equip. Corp. v. Maxwell, 468 F.2d 1326, 1343 (2d Cir. 1972).

Indeed, imputing the purported in-state actions of an alleged co-conspirator to obtain personal jurisdiction over non-resident defendants who do not themselves have the requisite minimum contacts with Oklahoma would violate due process. See Rush v. Savchuk, 444 U.S. 320, 332 (1980) (minimum contacts with forum state must be established as to each defendant over whom state court exercises jurisdiction); see Grove Press, Inc. v. Angleton, 649 F.2d 121, 122 (2d Cir. 1981); Weinstein v. Norma M. Morris Corp., 432 F. Supp. 337, 343 (E.D. Mich. 1977).

Most courts reject as "frivolous" the notion that "personal jurisdiction, the exercise of which is governed by strict constitutional standards, may depend upon the imputed conduct of a co-conspirator." Kipperman v. McCone, 422 F. Supp. 860, 873 n.14 (N.D. Cal. 1976) citing Banker's Life & Cas. Co. v. Holland, 346 U.S. 379, 384 (1953) (rejecting similar conspiracy theory to establish venue as "frivolous").[3] As stated by one Court:

> Contrary to plaintiff's assertion that personal jurisdiction over alleged co-conspirators may be acquired vicariously through the forum-related conduct of any single co-conspirator, the Court believes that personal jurisdiction over any non-resident individual must be premised upon forum-related acts personally committed by the individual. Imputed

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[3]See, e.g., Karsten Mfg. Corp. v. United States Golf Ass'n, 728 F. Supp. 1429, 1434 (D. Ariz. 1990) (holding conspiracy theory cannot be the basis for personal jurisdiction); National Indus. Sand Ass'n v. Gibson, 897 S.W.2d 769, 773 (Tex. 1995) (same); Sportmart, Inc. v. Frisch, 537 F. Supp. 1254, 1259-60 (N.D. Ill. 1982) (same); I.S. Joseph Co. Inc. v. Mannesmann Pipe & Steel Corp., 408 F. Supp. 1023, 1024 (D. Minn. 1976) (same); Hewitt v. Hewitt, 896 P.2d 1312, 1316 (Wash. App. 1995) (rejecting theory and noting that "other courts generally disapprove of its use").

> conduct is a connection too tenuous to warrant the exercise of personal jurisdiction.

Kipperman, 422 F. Supp. at 873 n.14. See also Mansour v. Superior Court, 46 Cal. Rptr. 2d 191, 197 (Cal. Ct. App. 1995). Most other courts have "narrowly construed the conspiracy theory of jurisdiction, seeing in it an easy technique to evade the thrust of the International Shoe holding." Carlton Inv. v. TLC Beatrice Int'l Holdings, Inc., CA 13950, 1995 Del. Ch. LEXIS 140, at *38 (Del. Ch. Nov. 21, 1995); see National Indus. Sand Ass'n v. Gibson, 897 S.W.2d 769, 773 (Tex. 1995). Accord Chrysler Corp. v. Fedders Corp., 643 F.2d 1229, 1237 (6th Cir. 1981), cert. denied, 454 U.S. 893 (1981); Baldridge v. McPike, Inc., 466 F.2d 65, 67 (10th Cir. 1972). The teachings of other jurisdictions reveal that the conspiracy theory of jurisdiction is unconstitutional and/or disfavored. Therefore, this Court should decline to exercise personal jurisdiction over Loews Corporation on this basis.

B. Plaintiffs Have Not Properly Pled A Claim For Conspiracy Against Loews Corporation

Even if plaintiffs were permitted to assert jurisdiction based on conspiracy, they have not properly pled a claim for civil conspiracy against Loews Corporation and this claim must fail as a matter of law. That Loews Corporation is alleged to have engaged in a conspiracy that had an effect in Oklahoma is irrelevant for purposes of personal jurisdiction. That theory was rejected in Hawkins v. Upjohn Co., 890 F. Supp. 601 (E.D. Tex. 1994). In that case, plaintiffs a law firm (Shook, Hardy & Bacon) was named as a defendant along with its client (Upjohn), alleging a conspiracy to commit fraud on consumers of the client's product (the drug Halcion). Observing that the complaint did not allege that the purposed conspiracy was expressly aimed at Texas or that the alleged tortfeasors had knowledge that a particular Texas resident would suffer the brunt of the harm,

the court dismissed the complaint as to the non-resident. Id. at 608[4] Similarly, here the Amended Petition fails to allege that the supposed conspiracy was aimed at Oklahoma or that Loews Corporation had knowledge the particular Oklahoma residents would bear the brunt of the harm.

Accordingly, this Court should not even consider the conduct of codefendants as a basis for personal jurisdiction over Loews Corporation.(To state a claim for civil conspiracy plaintiff must plead specific facts to support the essential elements of "a combination of two or more persons to accomplish, by concerted action, some unlawful objective by either lawful or unlawful means." Wright v. Cies, 648 P.2d 51, 53 n.2 (Okla. Ct. App. 1982). Plaintiffs have not pled specific facts connecting Loews Corporation to any conspiracy within the forum state. To make out a *prima facie* case of conspiracy, plaintiffs' "evidence must be (1) clear and convincing and (2) . . . do more than raise suspicion -- it must lead to belief." Dill v. Rader, 583 P.2d 496, 499 (Okla. 1978) (emphasis in original). Additionally, conduct that is just as consistent with lawful as unlawful purposes is insufficient to establish a conspiracy. Id. All of plaintiffs' allegations are just as consistent, or more so, with lawful as unlawful purposes. Accordingly, plaintiffs' conspiracy claim and their attempt to invoke jurisdiction based upon conspiracy must fail. See Dill, 583 P.2d at 449.

Plaintiffs fail to make a *prima facie* showing of "conspiracy jurisdiction" because every substantive allegation in the complaint against Loews Corporation has been thoroughly refuted by affidavit and not challenged by the plaintiffs with their own affidavit in opposition. See 1996 Schwartz Affidavit. In their opposition, plaintiffs recognize this fact and attempt to make the general

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[4]See also Bennet Waites Corp. v. Piedmont Aviation, Inc., 563 F. Supp. 810, 812 (D. Colo. 1983) (holding insufficient connection with forum state where all alleged meetings regarding the conspiracy took place out of state and only connection was "victim" of alleged conspiracy being resident of forum state).

and wholly conclusory "conspiracy" allegations of Count 10 of the Amended Petition the basis for jurisdiction over Loews Corporation. (Opp., at VI; Amended Petition, ¶¶ 297-298). In furtherance of this effort, and in tacit acknowledgment that the amended petition is devoid of any fact-based allegations specifically by Loews Corporation to any alleged "conspiracy," plaintiffs have submitted partial quotations from organizational meetings attended by executives from Loew's Theatres, Inc. in an effort to supplement the amended petition. (Opp. in Exhibits 65-82).

Plaintiffs argue that because Loews Corporation has not refuted by affidavit the conclusory "conspiracy" allegations of Count 10, they must be accepted as true by this Court for purposes of this motion. This argument fails for the following reasons. First, it is well established that general, conclusory allegations of conspiracy are inadequate to withstand a motion to dismiss; the allegations must be specific, factual and must provide clear and fair notice to affected parties to enable them to responsibly plead. See e.g., Mountain View Pharmacy v. Abbott Labs., 630 F.2d 1383, 1387-88 (10th Cir. 1980) ([B]lanket statement that twenty-eight defendants have conspired . . . does not provide adequate notice for responsive pleading. . . . The complaint failed to allege any specific act by any defendant . . . upon which injury to any plaintiff was predicated. . . . [F]actual pleading is required . . . to place a defendant on notice as to the type of claim alleged and the grounds upon which it rests, thereby enabling a defendant to prepare a responsible pleading."); See also Stauffacher v. Bennett, 969 F.2d 455, 460 (7th Cir. 1992), cert. denied, 506 U.S. 1034 (1992) ("a bare allegation of conspiracy between the defendant and a person within the personal jurisdiction of the court is not enough."). Plaintiff's amended petition does not contain the specific, factual allegation necessary to support the conclusory assertions that Loews Corporation participated in the alleged conspiracy.

Second, because conclusory allegations of conspiracy are inadequate to survive a motion to dismiss, Loews Corporation is under no obligation to refute them by affidavit declaring simply that "no conspiracy existed" as plaintiff appears to insist upon. (See Opp. at VI). Plaintiffs' conclusory allegations fall far short of the particularized showing required by those few courts that allow parties to pursue conspiracy-based jurisdiction. See N.L. Indus., Inc. v. Gulf & Western Indus., Inc., 650 F. Supp. 1115, 1137 (D. Kan. 1986). Loews Corporation has specifically challenged the factual basis upon which the plaintiffs premise their theory of jurisdiction based upon conspiracy.

Plaintiffs' sole attempt to meet their burden of proof is to outline, in conclusory terms, an allegation that "Loews" attended meetings of the Tobacco Institute, Inc. and CTR. First, these unsubstantiated allegations are legally insufficient to meet plaintiffs' burden to show by clear and convincing evidence that Loews Corporation had any involvement in the alleged conspiracy. Second, plaintiffs have attempted to use the universal term "Loews" to blur the clear distinctions between Loews Corporation, the holding company, and Loew's Theatres, Inc., which was in the cigarette business. Third, plaintiffs' factual assertions are incorrect. Plaintiffs have offered no competent proof to show that anyone attended any meetings of CTR on behalf of the Loews Corporation entity which they seek to bring under the ambit of the long-arm statute. No director, officer or employee of Loews Corporation ever attended a TI, CTR or TIRC meeting in his or her capacity as a Loews Corporation director, officer or employee.

The minutes which plaintiffs reference as support for the assertion that Curtis Judge attended CTR meetings on behalf of Loews Corporation expressly indicate that Mr. Judge attended the meetings on behalf of Loew's Theatres, Inc. which is not Loews Corporation. Plaintiff has offered no proof that Preston Tisch and Lester Pollack attended any meetings of the Tobacco

Institute on behalf of Loews Corporation. In fact, the affidavit of Preston Robert Tisch and Lester Pollack, provided to plaintiffs' counsel in Florida, expressly states that they did not attend any meetings of the Tobacco Institute as a representative of Loews Corporation. (Exhibit 24). Further, in the deposition of Laurence Tisch, Mr. Tisch expressly testified that the Board of Directors of Loews Corporation never exerted any influence over the involvement of Lorillard Tobacco Company with the Tobacco Institute or CTR. (Exhibit 4, p. 105:9-14). Plaintiffs cannot rely on speculation or innuendo to show the existence of material jurisdictional facts which are essential for plaintiff to keep Loews Corporation in this litigation.

Plaintiffs have failed to establish an adequate basis for the Court to exercise jurisdiction over Loews Corporation under the conspiracy theory. The Amended Petition contains only conclusory allegations of conspiracy. They are devoid of the requisite hard evidentiary facts to demonstrate either that a conspiracy existed or that the parents were any part of it. See, e.g., Textor v. Board of Regents, 711 F.2d 1387, 1392-93 (7th Cir. 1983); Chrysler Corp. v. Fedder Corp., 643 F.2d 1229, 1336-37 (6th Cir. 1981), cert. denied, 454 U.S. 893 (1981). Plaintiffs' conclusory allegations fall far short of the particularized showing required by those few courts that allow parties to pursue conspiracy-based jurisdiction. See N.L. Indus., Inc., 650 F. Supp. at 1115.

CONCLUSION

For the reasons stated above and in its motion and supporting memorandum, Loews Corporation requests that its Motion to Dismiss for Lack of Personal Jurisdiction be granted.

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CERTIFICATE OF SERVICE

I hereby certify that on this 24th day of September, 1997, a true and correct copy of the above and foregoing was **HAND-DELIVERED** to:

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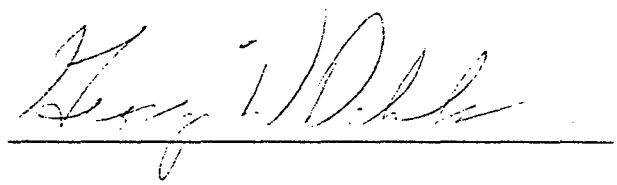

IN THE DISTRICT COURT FOR CLEVELAND COUNTY
STATE OF OKLAHOMA

CASE NO. CJ-96-1499-L

THE STATE OF OKLAHOMA, et al.,
Plaintiffs,

-versus-

R.J. REYNOLDS TOBACCO COMPANY, et al.,
Defendants.

EXHIBITS
TO
REPLY OF LOEWS CORPORATION TO THE STATE OF OKLAHOMA'S MEMORANDUM IN OPPOSITION TO MOTION OF DEFENDANT LOEWS CORPORATION TO DISMISS FOR LACK OF PERSONAL JURISDICTION

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October 23, 1997

95-401. OUL

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Year Ended December 31, 1978 | **Commission File Number 1-4204**

LOEW'S THEATRES, INC.
(Exact name of registrant as specified in its charter)

New York	13-1911176
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue, New York, N. Y.	10019
(Address of principal executive offices)	(Zip Code)

(212) 841-1000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
4⅞% Sinking Fund Debentures, due June 1, 1986	New York Stock Exchange
6⅛% Subordinated Debentures, due April 1, 1993	New York Stock Exchange
6¼% Subordinated Debentures, due December 1, 1993	New York Stock Exchange
12-year Warrants expiring November 29, 1980	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No _____

Common Stock Outstanding at December 31, 1978—100 shares

92750679

LOEW'S THEATRES, INC.

INDEX TO ANNUAL REPORT ON FORM 10-K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION

Year Ended December 31, 1978

PART I

Item No.		Page No.
1.	BUSINESS	1
	Lorillard Division	2
	Hotel Activities and Properties	4
	Theatre Activities and Properties	5
	Other Interests	6
2.	SUMMARY OF OPERATIONS	7
3.	PROPERTIES	11
4.	PARENTS AND SUBSIDIARIES	11
5.	LEGAL PROCEEDINGS	12
6.	INCREASES AND DECREASES IN OUTSTANDING SECURITIES AND INDEBTEDNESS	15
7.	CHANGES IN SECURITIES AND CHANGES IN SECURITY FOR REGISTERED SECURITIES	None
8.	DEFAULTS UPON SENIOR SECURITIES	None
9.	APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS	15
10.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	Inapplicable
11.	INDEMNIFICATION OF DIRECTORS AND OFFICERS	15
12.	FINANCIAL STATEMENTS, EXHIBITS FILED, AND REPORTS ON FORM 8-K	16

PART II

13.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	17
14.	DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT	17
15.	MANAGEMENT REMUNERATION AND TRANSACTIONS	18

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PART I

Item 1. BUSINESS.

Loew's Theatres, Inc. (hereinafter, together with its subsidiaries referred to as the "Company" or the "Registrant") directly and through its subsidiaries is engaged primarily in the production and sale of cigarettes, the operation of hotels and the exhibition of motion pictures. The Company is a wholly-owned subsidiary of Loews Corporation ("Loews").

BUSINESS SEGMENTS

The following table sets forth for the periods indicated the major sources of the Company's consolidated revenues and income before interest and corporate expenses, equity interests, discontinued operations and income taxes.

(Amounts in Thousands)	Years Ended December 31,				Four Months Ended December 31, 1974(a, b)	Year Ended August 31, 1974
	1978	1977(d)	1976	1975(a)		
	Audited					
Revenues:						
Sales of tobacco products, principally cigarettes (c)	$ 813,496	$ 735,727	$ 627,429	$ 586,404	$ 188,639	$ 537,555
Hotels (d)	87,354	94,836	91,844	67,669	22,066	63,503
Theatres	40,451	36,885	31,798	37,037	10,066	32,143
Investment income	27,135	15,257	8,438	2,812	7,410	32,030
Other	10,179	10,504	9,481	8,922	3,116	8,661
Total revenues	$ 979,115	$ 893,309	$ 768,990	$ 702,844	$ 231,297	$ 673,892
Income Contribution:						
Sales of tobacco products, principally cigarettes	$ 109,826	$ 87,666	$ 67,240	$ 55,208	$ 14,753	$ 59,735
Hotels (d,e)	14,213	18,568	26,324	15,808	4,647	13,146
Theatres	8,549	4,951	4,503	7,291	1,349	6,831
Investment income—net	26,826	14,922	8,082	2,450	7,285	31,694
Other	1,765	1,574	955	3,007	1,183	3,262
Realized investment gains (losses)	19,651	16,171	(9,498)	(2,224)	3,364	70
Income before Interest and Corporate Expenses, Equity Interests, Discontinued Operations and Income Taxes	180,430	144,152	97,606	81,540	32,581	114,738
Interest and Corporate Expenses, Equity Interests, Discontinued Operations and Income Taxes—net	109,763	46,673	69,420	55,114	18,397	56,950
Net income	$ 70,667	$ 97,479	$ 28,186	$ 26,426	$ 14,184	$ 57,788
Identifiable Assets:						
Tobacco products, principally cigarettes	$ 579,500	$ 582,106	$ 531,494	$ 522,669	$ 483,319	$ 441,689
Hotels (d)	104,753	93,324	126,850	132,375	97,944	100,675
Theatres	23,996	25,621	30,112	35,137	41,540	38,332
Investments	369,825	329,735	117,064	131,074	10,722	407,827
Other	26,390	29,659	30,359	31,479	31,424	32,684
Corporate	9,488	7,578	12,046	6,361	5,615	19,989
Discontinued operations			125,033	131,284	123,966	116,101
Advance to parent	37,993	69,308	62,877	89,446	273,271	35,848
Total	$1,202,445	$1,137,331	$1,036,835	$1,079,825	$1,067,801	$1,193,145

(a) On December 2, 1974 (accounted for as of November 30, 1974), the Registrant transferred its subsidiary engaged in holding its investments in securities to its parent, Loews, by way of a dividend. Investment income, realized investment gains (losses) and identifiable investment assets in the table above were principally attributable to such subsidiary. On December 31, 1975 Loews transferred such subsidiary to Registrant by way of a capital contribution.

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(b) The Company, effective December 31, 1974, changed its fiscal year from a year ending August 31 to a year ending December 31.

(c) Includes tobacco excise taxes of $217,715, $210,868, $191,410, $189,840, $64,051 and $196,966 paid on sales of manufactured products for the respective periods.

(d) In 1977, the Company transferred to Loews, by way of a dividend, its investment in subsidiaries which operate the Regency, Drake and Summit Hotels in New York City and the Churchill Hotel in London, England. On December 31, 1977 Loews contributed, by way of a capital contribution, its investment in Loew's (Great Britain) Limited to the Company See Note 2 to the Consolidated Financial Statements.

(e) Includes unrealized (losses) gains of ($4,664), ($1,722), $5,267, $5,549, ($231) and $1,115 for the respective periods related to the translation of foreign currencies at current rates with respect to long-term liabilities arising from the capitalization of leases on foreign properties. Management believes that inclusion of foreign currency translation gains or losses is non-economic. See Note 1 to the Consolidated Financial Statements—"Translation of foreign currency".

LORILLARD DIVISION

Sales of cigarettes account for approximately 97% of the net sales of the Lorillard division (Lorillard). The principal filter cigarette brands of Lorillard are Kent, Kent III, Golden Lights, Newport, Newport Lights, True, Old Gold, Old Gold Lights, Spring and Max. The principal non-filter cigarette brand is Old Gold Straights. Other tobacco products include Lorillard's little cigar brands: Between the Acts, Madison and Omega, and small cigars marketed under the brand name Erik. Lorillard's chewing tobacco brands are Beech-Nut, Big Red, Bagpipe and Havana Blossom. Sales of "low tar" brands have increased since 1975 from approximately 20% of all cigarettes sold by Lorillard to approximately 80% in 1978.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for chewing tobacco, radio and television. In addition, Lorillard distributes Gift Star coupons with its Spring and Old Gold cigarette brands. Sales promotion activities are conducted by distribution of samples, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast antismoking messages and the Federal Communications Commission has determined that the "fairness doctrine," requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues, creates no right to reply to such messages. Federal law requires that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking is Dangerous to Your Health." Lorillard and the other cigarette manufacturers have agreed, pursuant to consent orders entered into with the Federal Trade Commission (Commission) to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner (see Item 3—"Legal Proceedings—Lorillard").

Several states, counties and municipalities have enacted or are considering legislation intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places. From time to time, bills have been introduced in Congress, among other things, to end or limit price supports for leaf tobacco; to provide that cigarette advertising is not a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Commission to promulgate standards establishing maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for health research; and to require segregation of smokers and nonsmokers on interstate public transportation and in certain areas in federal facilities.

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Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets; and through chain store organizations and vending machine operators, many of whom purchase their requirements directly. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco, burley tobacco and Maryland tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions (see Item 5—"Legal Proceedings—Lorillard"). Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and Greece, and uses seed leaf tobacco, grown mostly in Wisconsin, Ohio, Pennsylvania and Connecticut, for use in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives. In addition Lorillard purchases substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

Due to the varying size and quality of annual crops and other economic factors, tobacco prices have in the past been subject to wide fluctuations. Among economic factors are federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1978, the average auction price per pound for flue-cured tobacco increased from a low of approximately 72.0 cents to a high of approximately $1.352, or 87.8%. During the most recent ten year period, the average auction price per pound for burley increased from a low of approximately 69.6 cents in 1969 to a high of approximately $1.312 in 1978, or 88.5%. The prices paid by Lorillard increased with such trend. During 1978, Lorillard increased the wholesale price of its cigarettes by $.85 per thousand. Effective January 1979 such prices were increased by $.55 per thousand.

Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 to the Consolidated Financial Statements for inventory costing methods.

Taxes: The prices of cigarettes include Federal excise tax at the rate of $4.00 per thousand. Excise taxes on cigarettes, which are levied upon and paid by the distributors, are also in effect in the fifty states and the District of Columbia. Such taxes, including those imposed by many municipal taxing authorities, generally range from 2 cents to 23 cents per package of twenty cigarettes.

International: See Note 13 to the Consolidated Financial Statements for information relating to the sale, in 1977, of Lorillard's rights to its cigarette brands outside the United States and U. S. possessions and of certain assets relating thereto.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, wrapping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina, and Louisville, Kentucky. The Greensboro plant is devoted exclusively to the manufacture of cigarettes. The Greensboro plant, located on approximately 79 acres, contains approximately 786,600 square feet. The Louisville plant, which consists of multi-storied buildings totaling about 800,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 2,000,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Lexington, Kentucky, Lancaster, Pennsylvania and Westby and Stoughton, Wisconsin. A modern research facility consisting of approximately 82,000 square feet is located at Greensboro. Lorillard leases executive offices at 666 Fifth Avenue, New York, New York 10019.

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Competition: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total taxable factory removals of all cigarettes manufactured in the United States and total taxable factory removals of all cigarettes manufactured by Lorillard, indicates the relative position in the industry of Lorillard:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry
1974	576,173,000	48,176,000	8.4%
1975	588,345,000	46,931,000	8.0%
1976	617,392,000	47,697,000	7.7%**
1977	592,006,000	52,604,000	8.9%**
1978	614,195,000	54,558,000	8.9%**

* SOURCE: Reports and bulletins of the Internal Revenue Service.

** The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1978, 1977, and 1976 Lorillard's share of the domestic market was 9.1%, 8.8%, and 8.1%, respectively based on estimated cigarette output by company.

On the basis of information currently available, Lorillard ranks fifth among the major producers of tobacco products in the country.

HOTEL ACTIVITIES AND PROPERTIES

The Company presently operates 9 hotels and motor hotels, including two motor hotels in New York City, two hotels in London, England, and one hotel in each of Washington, D.C., Quebec City, Canada and Montreal, Canada and resort hotels at Monte Carlo, Monaco and Paradise Island, Nassau, the Bahamas.

The hotels owned by the Company (including one owned by the Company and leased to an unrelated company) are subject to mortgage indebtedness aggregating approximately $4,421,000, bearing interest rates ranging from 5.5% to 6%, maturing between 1983 and 1986. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $50,994,000, at effective interest rates ranging from 5% to 9%.

The following are the hotel properties currently operated by the Company. The number of rooms in a hotel varies from time to time. All numbers of rooms in the following table are as of December 31, 1978.

Name of Hotel	Location	Type	Number of Rooms	Date Opened	Owned, Leased or Managed
Howard Johnson's Motor Lodge*	New York, New York	Motor Hotel	300	1962	Leased Land
L'Enfant Plaza	Washington, D.C.	Luxury Hotel	372	1973	Mgmt. Contract
La Cité	Montreal, Canada	Luxury Hotel	481	1976	Mgmt. Contract
Le Concorde	Quebec City, Canada	Luxury Hotel	434	1974	Mgmt. Contract
Montcalm	London, England	Luxury Hotel	112	1973**	Leased
Monte Carlo	Monte Carlo, Monaco	Resort Hotel	640	1975	Leased
Paradise Island Hotel and Villas	Paradise Island, Nassau, Bahamas	Resort Hotel	500	1967	Leased
Ramada Inn*	New York, New York	Motor Hotel	368	1962	Owned
The Churchill	London, England	Luxury Hotel	489	1970	Leased

* Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for use of the respective trade names, trademarks and other rights.

** The lease for the Montcalm Hotel was acquired at the end of 1977.

The Company's hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses. The hotel in Monte Carlo contains a casino.

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The Company has leased to a joint venture the City Squire Motor Inn, in New York City, for a term expiring in 2000. The lease, which is guaranteed by American Airlines, Inc. and Sheraton Corporation, provides for payment of a fixed annual rental and a percentage rental with provision for a maximum fixed annual and percentage rent.

Competition from other hotels, motor hotels and inns, including facilities owned by local interests and facilities owned by national and international chains, is vigorous in all areas in which the Company operates facilities. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. As reported by "Institutions," a trade publication, the hotel division of Loews, of which the Company's hotels are a part, ranked 24th among the world's largest hotel organizations at the end of 1977. Because of the competitive nature of the industry, hotel and motor hotel operations must make continuing expenditures for updating, refurnishing, repairs and maintenance, in order to prevent competitive obsolescence.

THEATRE ACTIVITIES AND PROPERTIES

The Company's theatres exhibit feature motion pictures and, occasionally, accompanying short subjects, which are licensed for exhibition by film distributors.

The Company operates 108 motion picture theatre screens located in 27 cities or towns in 9 states. The 108 screens are contained in 55 facilities, of which 18 are owned and 37 are leased. All are conventional theatres. The theatres operated vary in size and include suburban theatres and large, deluxe "showcase" theatres.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of film. In general, the selection of films is determined by community preference, availability and terms. Films are licensed on a picture by picture basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy, ice cream products and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales.

In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The theatres owned by the Company, some of which are also commercial properties, are subject to mortgage liens securing indebtedness aggregating approximately $6,215,000 at December 31, 1978, bearing interest rates ranging from 5¾% to 9¼%, maturing between 1980 and 1994. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $6,508,000, at interest rates ranging from 5¾% to 9%.

During the year ended December 31, 1978, the Company acquired five single screen theatres in Cleveland, Ohio, which have been converted to a total of ten screens. In addition, seven screens were added by converting existing theatres to multiple-screen theatres and the operation of three single screen theatres was discontinued.

The business of motion picture exhibition is highly competitive. The Company is one of many theatre chains in the United States. The Company operates theatres in certain areas of the United States which are heavily saturated with theatres of various national and local exhibitors. The Company faces intense competition from locally significant competitors in obtaining quality films. As a result of trade practice limitations imposed upon the eight major motion picture distributors by various decrees entered in the cases of *United States v. Paramount, et al.* and *United States v. Loew's Incorporated, et al.* (see Item

92750685

5—"*Legal Proceedings*—Theatres"), the pictures of such distributors must be offered and licensed to exhibitors, including the Company, picture by picture and theatre by theatre. In addition to competition from other motion picture theatre operators, the Company's film exhibition business is confronted with other forms of competition in the entertainment field, among which are television and other forms of home entertainment, and films provided for viewing by hotel guests through hotel room television sets. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

OTHER INTERESTS

The Company owns two high-rise combination commercial and apartment buildings in New York City; the land under a new office building containing approximately 2,000,000 square feet of office and commercial space in New York City; and a commercial and office building in New York City and another in Los Angeles, California. The foregoing properties are subject to mortgages as of December 31, 1978, aggregating approximately $17,296,000, at interest rates of 5.5% to 7.5%, maturing between 1980 and 2010.

EMPLOYEE RELATIONS

The Company employed approximately 9,600 persons at December 31, 1978. A substantial number of such personnel are represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed. The Company considers its employee relations to be satisfactory.

The Company maintains a retirement plan, group life, disability and health insurance program, and a savings plan for its salaried employees. The Company has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants, with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The Company has a retirement plan, a deferred profit sharing plan and other benefits for the hourly paid employees of the Lorillard division who are represented by the foregoing unions.

ENERGY SHORTAGE

The ultimate effect of the current energy shortage on the economy as a whole and, hence, on the Company's business, is uncertain at this time. To date, the impact on the Company has not been materially adverse, although direct costs of natural gas, fuel oil, electricity and steam supplied by public utilities have materially increased, as well as costs of transportation and products manufactured from petroleum derivates used by the Company's divisions. There has been no material impact on the Company's operations. The Company and its subsidiaries and divisions have an on-going program to conserve energy. Included in this program are measures to reduce lighting, heating, air conditioning and usage of machinery in order to minimize needs consistent with safety and security.

WAGE AND PRICE STABILIZATION

The Company is complying with the Voluntary Standards of the Council on Wage and Price Stability as stated in the rules and regulations of that agency. Although the ultimate effect of the program on the economy and the Company's business is uncertain, this compliance is not expected to have a material effect on current operating results of the Company.

92750686

Item 2. SUMMARY OF OPERATIONS.

The following summary of operations should be read in conjunction with the notes thereto and the consolidated financial statements and notes included elsewhere herein. The report of Touche Ross & Co., independent public accountants, with reference to their examination for the years ended December 31, 1978 and 1977, covering the Statements of Consolidated Income is included elsewhere. Other financial statements and related notes are furnished under Item 12(a).

LOEW'S THEATRES, INC. AND SUBSIDIARIES

	Years Ended December 31,				Four Months Ended December 31,	Year Ended August 31,
	1978(f)	1977(f, g)	1976(c, f)	1975(b, f)	1974(b, f)	1974(f)
			(Amounts in thousands)			
Revenues(a)	$979,115	$893,309	$768,990	$702,844	$231,297	$673,892
Expenses:						
Cost of manufactured products sold(a)(d)	532,806	501,647	438,190	425,049	143,614	398,964
Operating	89,916	91,714	90,560	80,629	21,145	65,042
Interest and amortization of debenture discount and expense	44,500	43,569	41,991	41,802	16,518	45,556
Income taxes(e)	46,118	31,719	27,501	13,967	1,512	17,591
Other	206,599	183,536	141,871	122,290	41,368	103,394
Total	919,939	852,185	740,113	683,737	224,257	631,247
Income from continuing operations	59,176	41,124	28,877	19,107	7,040	42,645
Income (loss) from discontinued operations:						
Income (loss) from operations of international cigarette business (less applicable income taxes of $1,000, $3,531, $768, $99, and $855)		1,565	6,769	8,902	(986)	5,438
Gain on sale of international cigarette business (less applicable income taxes of $58,400)		44,149				
Total		45,714	6,769	8,902	(986)	5,438
Income before realized investment gains (losses) and equity in income of associated companies	59,176	86,838	35,646	28,009	6,054	48,083
Realized investment gains (losses)—net (b) (Net unrealized investment (losses) gains of ($8,683), ($16,933), $27,118, $7,542, $76,000 and ($59,418) for the respective periods have not been reflected)	11,491	10,641	(12,523)	(2,021)	1,687	26
Equity in income of associated companies—net(b)(c)			5,063	438	6,443	9,679
Net income	$ 70,667	$ 97,479	$ 28,186	$ 26,426	$ 14,184	$ 57,788

See the accompanying Notes to Summary of Operations on following page.

92750687

LOEW'S THEATRES, INC. AND SUBSIDIARIES

NOTES TO SUMMARY OF OPERATIONS

(In thousands of dollars)

(a) Includes tobacco excise taxes of $217,715, $210,368, $191,410, $189,840, $64,051 and $196,966 paid on sales of manufactured products for the respective periods.

(b) Effective November 30, 1974 the Company transferred, by way of a dividend, its investment in its wholly-owned subsidiary, Lawton General Corp. (Lawton) to Loews. Lawton owned the principal portion of the Company's investment in securities. On December 31, 1975, Loews contributed, by way of a capital contribution, its investment in Lawton to the Company.

(c) Related principally to Wheeling-Pittsburgh Steel Corporation (Wheeling). Through 1976, the Company reported Wheeling's results of operations under the equity method. Management determined to reduce to market value as of December 31, 1976 the carrying value of its investment in Wheeling and to reflect this holding on the same basis as other investments in the Company's investment portfolio. This determination resulted in a write-down of carrying value of the Wheeling investment, net of applicable taxes, of $21,199 in 1976.

(d) See Note 1 to the Consolidated Financial Statements for a description of inventory methods. Prior to September 1, 1973 leaf tobacco, manufactured stock and materials and supplies inventory costs were computed on an average cost basis.

(e) See Note 12 to the Consolidated Financial Statements.

(f) Includes unrealized (losses) gains of ($2,425), ($896), $2,739, $2,886, ($120) and $580 for the respective periods related to the translation of foreign currencies at current rates with respect to long-term liabilities arising from the capitalization of leases on foreign properties. Management believes that inclusion of foreign currency translation gains or losses is non-economic. See Note 1 to the Consolidated Financial Statements—"Translation of Foreign Currency".

(g) Effective September 30, 1977 the Company transferred to Loews, by way of a dividend, its investment in four subsidiaries which operate the Regency, Drake and Summit Hotels in New York City and the Churchill Hotel in London. On December 31, 1977, Loews contributed, by way of a capital contribution, its investment in the Churchill Hotel to the Company.

92750688

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

(Not covered by Auditors' opinion)

Year Ended December 31, 1978 Compared with Year Ended December 31, 1977

Revenues for the year ended December 31, 1978 reflect a 9.6% increase over the revenues reported for the year earlier period. Net income decreased 27.5% compared to the preceding year.

Contributing factors by business segment are as follows:

Sales of tobacco products

Revenues and income contribution increased $77,769,000, or 10.6% and $22,160,000 or 25.3%, respectively, compared to 1977.

Price increases effective in August 1977 and July 1978 and increased unit sales partially offset by increased costs, contributed to the increased revenues and income contribution in 1978.

Hotels

Revenues and income contribution decreased by $6,982,000, or 7.4%, and $4,655,000, or 24.7%, respectively, when compared to the previous year.

The absence in 1978 of revenues from hotel subsidiaries transferred in September 1977, by way of a dividend, to the parent company accounted for the reduction in revenues. This reduction was partially offset by the addition of a hotel, increased average rates per room and improved occupancies.

The decrease in income contribution reflected the reduced revenues, higher costs and increased unrealized foreign currency translation losses related to long-term liabilities associated with the capitalization of leases ($4,664,000 in 1978 as compared with $1,722,000 in 1977). Management believes that inclusion of these foreign currency translation gains or losses is non-economic.

Theatres

Revenues increased by $3,566,000, representing a 9.7% increase when compared to the year earlier period, as a result of higher average ticket prices, gain on sale of a theatre property and increased attendance.

The increase in income contribution of $3,598,000, or 72.7%, reflects increased revenues and reduced expenses related to disposals of unprofitable theatres offset by higher film rental costs.

Investment income

Revenues and income contribution increased $11,878,000, or 77.9% and $11,904,000, or 79.8%, respectively, as a result of increased invested assets during the year.

Realized investment gains

Realized investment gains increased $3,480,000 reflecting sales of more profitable securities in 1978.

Interest and corporate expenses, discontinued operations and income taxes

The increase reflects higher income taxes related to increased income from continuing operations and the inclusion in 1977 of the income of discontinued operations of the international cigarette business which consisted of the gain on the sale in June 1977 and the results of operations of that segment prior to the sale.

92750689

Year Ended December 31, 1977 Compared with Year Ended December 31, 1976

Revenues for the year ended December 31, 1977 reflect a 16.2% increase over the revenues reported for the year earlier period. Net income represents a 245.8% increase over the income of the preceding year.

Contributing factors by business segment are as follows:

Sales of tobacco products

Domestic sales revenues increased by $108,298,000, or 17.3%, compared to 1976. The income contribution from sales of tobacco products increased by $20,426,000, or 30.4%.

The domestic cigarette business grew significantly in 1977. All of the major cigarette brands enjoyed increased unit volume, with a resultant 10% increase in share of the total domestic cigarette market.

Tighter cost controls and a price increase effective in August 1977, together with the increased domestic unit sales, contributed to the increased income contribution in 1977.

Hotels

Revenues increased by $2,992,000, a 3.3% increase when compared with the previous year. Income contribution would have reflected a decrease of $1,700,000, or 6.5%, but for adoption by the Company during 1977 of FASB Statement No. 13 "Accounting for Leases" which resulted in reflection of a foreign currency loss in accordance with FASB Statement No. 8 "Foreign Currency Transactions." Application of these accounting pronouncements resulted in a decrease in income contribution of $7,456,000. Management believes that inclusion of foreign currency translation gains or losses is non-economic. The transfer in September 1977, by way of a dividend, of hotel subsidiaries to the parent company accounted for the reduction in income contribution, prior to application of FASB Statements Nos. 13 and 8.

Increased occupancies and increased average rates per room contributed primarily to the increased hotel revenues, partially offset by a decrease related to the transfer in September 1977, by way of a dividend, of hotel subsidiaries to the parent company.

Theatres

Revenues increased by $5,087,000, representing a 16.0% increase when compared to the year earlier period, as a result of increased paid attendance.

The increase in income contribution of $448,000, or 9.9% reflects increased revenues offset by higher film rental costs, higher operating costs and loss on the disposition of eight theatres.

Investment income

Revenues and income contribution increased $6,819,000, or 80.8% and $6,840,000, or 84.6%, respectively, as a result of increased invested assets during the year.

Discontinued operations

Discontinued operations consisted of gain on the sale in June 1977 of the international cigarette business and the results of operations of that segment prior to the sale.

Equity income in associated companies

The equity income in associated companies during 1976 consisted principally of equity in the income of Wheeling-Pittsburgh Steel Corporation. The Company announced at the end of 1976 that it would no longer reflect its equity in the income of Wheeling-Pittsburgh and would treat its investment in the same manner as other holdings in its investment portfolio.

Realized investment gains (losses)

Realized investment gains (losses) showed a favorable increase of $25,669,000 due principally to the reduction of the carrying value of the Company's investment in Wheeling-Pittsburgh Steel Corporation to market value, resulting in a loss of $22,284,000 in 1976 with no comparable reduction in 1977.

Interest and corporate expenses and income taxes

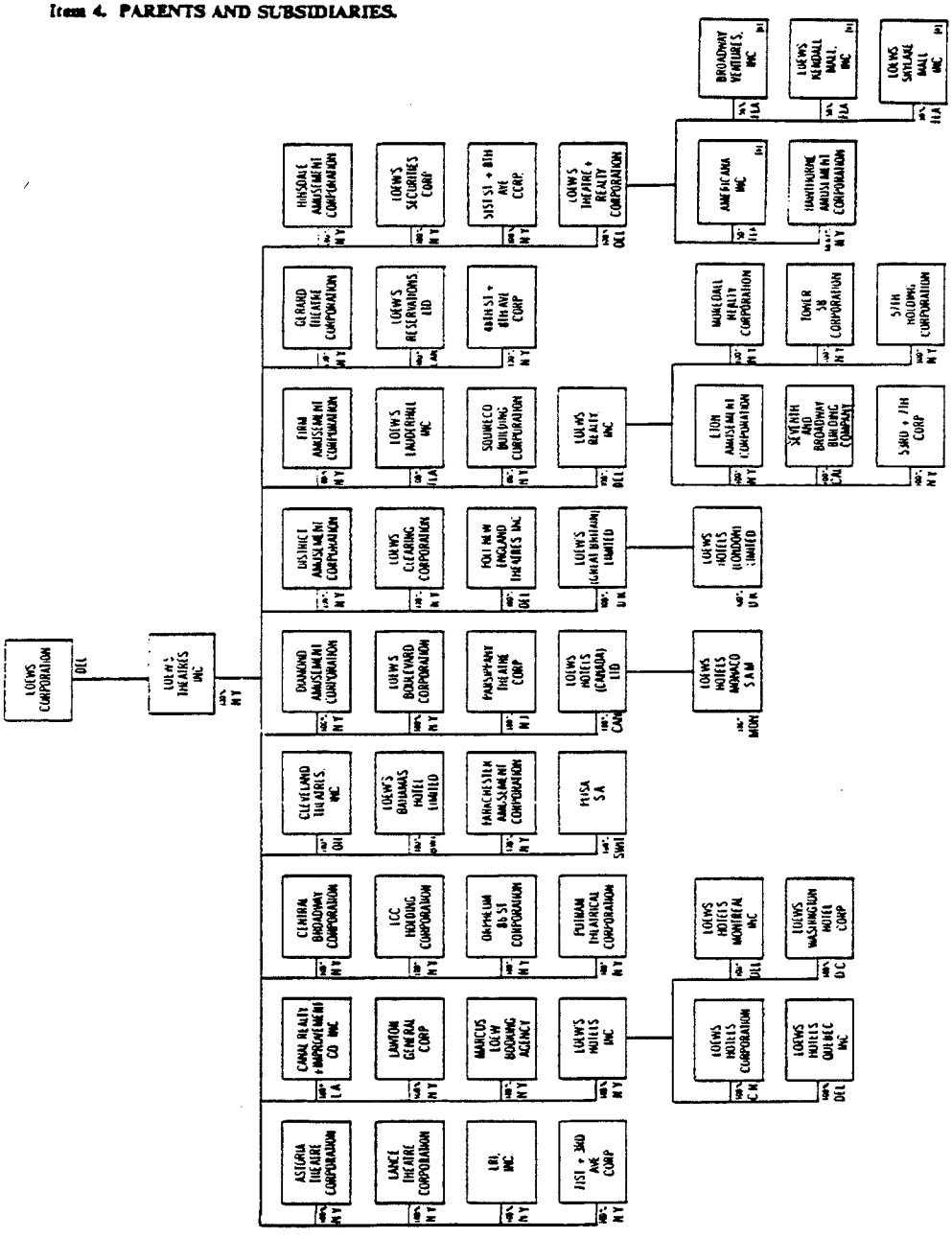
The increase in these expenses is largely attributable to increased income.

92750690

Item 3. PROPERTIES.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1 hereof.

Item 4. PARENTS AND SUBSIDIARIES.



Note (a) All subsidiaries, unless otherwise noted, are included in the consolidated financial statements filed herewith. This chart omits a number of subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

(b) Companies not included in the consolidated financial statements are those in which no statements are filed. 50% or less of the capital stock of these companies is owned directly or indirectly by Registrant, and all such companies considered in the aggregate do not constitute a significant subsidiary.

January 15, 1979

92750691

Item 5. LEGAL PROCEEDINGS.

Lorillard: By decree dated November 16, 1911 of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America v. The American Tobacco Company and others*, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (1) making transfers of its property to any other of those corporations, (2) making any agreements of types deemed anti-competitive with any other of those corporations, (3) holding stock in a corporation whose stock is also held by another of those corporations and (4) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

An alleged class action pending against the Company, in the United States District Court for the Eastern District of North Carolina, Wilson Division, by certain former shareholders of Lorillard Corporation seeks damages in an amount to be determined, based on assertions by them that (1) they incurred immediate rather than deferred Federal income tax liability, not adequately disclosed in the proxy materials relating to the merger of Lorillard into the Company in 1968, and (2) that had all relevant facts been disclosed the Company would have been compelled to offer better terms to acquire Lorillard. In January 1978, the Court denied plaintiffs' motion to maintain the action as a class action. In April 1978 the Court denied Plaintiffs' motion for reargument or in the alternative for change of venue. In June 1978 the United States Court of Appeals for the Fourth Circuit denied Plaintiff's petition for writ of mandamus from the order of the District Court.

Two civil actions purporting to be class actions, one of which was brought in July 1974 in the United States District Court for the Eastern District of Kentucky and the other in April 1975 in the United States District Court for the Eastern District of North Carolina, are pending against the six major United States cigarette manufacturers, including the Company, and others, in which certain tobacco farmers allege violations of the antitrust laws and seek damages of approximately $43,000,000, and an unspecified amount, respectively, plus attorneys' fees and costs. In November 1978 the District Court in the North Carolina suit held that action may not proceed as a class action. No appeal was taken from that ruling. The Company is vigorously contesting each of the actions. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to each suit.

A similar action had also been commenced against the Company in July 1974 in the United States District Court for the District of South Carolina by six growers of flue cured tobacco on behalf of an alleged class of growers residing in South Carolina. The plaintiffs sought damages in that action of approximately $336,000,000. A denial of class action status was affirmed by the Fourth Circuit Court of Appeals, and the United States Supreme Court denied a petition for review of that decision. The suit was dismissed in January 1979 pursuant to a settlement agreement in which plaintiffs acknowledged that they found no evidence of illegal activity by the Company.

In October 1975 the United States, on behalf of the Federal Trade Commission (the "Commission"), commenced an action in the United States District Court for the District of Columbia against Lorillard and the five other major cigarette manufacturers, alleging concerted violation of consent orders entered into with the Commission relating to inclusion of the health warning statement appearing on cigarette packages, in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes. The action seeks penalties in unspecified amounts and injunctive relief, including creation of a trust fund to remedy alleged failure to warn the public of the hazard of smoking. The action has been transferred to the United States District Court for the Southern District of New York. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to the action. Lorillard and four of the other major cigarette manufacturers have reached substantial agreement on terms of a proposed settlement, which is now under consideration by senior Commission staff members. The settlement, subject to Commission approval, presently provides that Lorillard's share will be in the amount of $100,000.

In August 1977 the Commission instituted an action in the United States District Court for the District of Columbia seeking enforcement of subpoenas served in May 1976 on Lorillard, the five other major cigarette manufacturers, two industry groups and various advertising agencies. The subpoenas sought

92750692

production of documents relating to Lorillard's and the other companies advertising and marketing activities since 1964 in connection with a Commission investigation of alleged unfair trade practices in the cigarette industry. Lorillard filed an answer asserting invalidity and unenforceability of the subpoenas on various grounds. Lorillard and the other respondents also requested discovery and moved to transfer the action to the Southern District of New York. An order transferring the action to the Southern District of New York was vacated by the United States Court of Appeals for the District of Columbia in April 1978. In January 1979 the District Court for the District of Columbia denied discovery and held the subpoenas valid and enforceable. Lorillard and the other respondents have moved to stay the order entered on such decision, pending appeal of the decision to the Court of Appeals for the District of Columbia.

Theatres: Under a Consent Judgment entered in the United States District Court for the Southern District of New York in 1952, in *United States* v. *Loew's Incorporated, et al.*, the Company was prohibited from, among other things, engaging in the distribution of motion pictures and acquiring theatres, except upon a showing to the court that any such activity would not unduly restrain competition. On July 25, 1974, the District Court entered an order amending the Consent Judgment to provide that no court approval is required with respect to any theatre constructed by or for the Company, or with respect to the conversion of an existing theatre into a twin or multiple screen theatre. The Company has applied to the District Court for an order vacating the Consent Judgment insofar as applicable to the Company. A hearing on such application is presently scheduled for May 1979.

Other: In July 1978 an action was commenced in the United States District Court for the Eastern District of New York by the Federal Deposit Insurance Corporation (FDIC) as Receiver of Franklin National Bank (FNB), against Laurence A. Tisch, Chairman of the Board and Chief Executive Officer of the Company, Tisch Hotels, Inc., Loews Corporation, the Company, and a subsidiary, Lawton General Corp. (Lawton). The complaint essentially sets forth three claims: (1) that Mr. Tisch misused his position as a director of FNB and its parent, Franklin New York Corporation (FNYC) and "inside information" to obtain a premium for defendants, the Company and Lawton, on the sale of 1,000,000 shares of FNYC common stock to Fasco International Holding, S.A. (Fasco), a company then controlled by Michele Sindona (Sindona); (2) that Mr. Tisch misused his position as a director of FNB and FNYC to "facilitate" various steps whereby Sindona and his associates were placed in positions of management control of FNB and, particularly, its international business, as a result of which Sindona caused FNB to suffer substantial damages; and (3) that Mr. Tisch and the defendant corporations owed a fiduciary duty to FNYC and FNB which was breached by alleged failure to make proper investigation of Sindona. Plaintiff FDIC seeks (a) judgment in the amount of the asserted premiums obtained in the sale of FNYC shares; (b) judgment in an amount to be determined with respect to asserted facilitation of transfer of management control over FNB's international business; and (c) judgment in an amount to be determined with respect to damage due to the exercise of management control by Sindona and Fasco, as well as imposition of a constructive trust upon all proceeds allegedly derived from breach of fiduciary duty owed to FNB. The defendants have denied the material allegations of the complaint and asserted numerous affirmative defenses. The action is presently in a preliminary discovery stage.

Also, in July 1978, an action was commenced by Sindona in the United States District Court for the Southern District of New York, against the same defendants named in the action described above. The complaint alleges violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and common law fraud, supposedly arising out of non-disclosure and misrepresentation by the defendants in connection with an agreement dated July 11, 1972 whereby Sindona, allegedly acting through Fasco, purchased from the Company and Lawton, 1,000,000 shares of FNYC common stock at an aggregate cost of $40,000,000. Plaintiff seeks (i) compensatory damages in the amount of $40,400,000, or rescission of the purchase contract, and (ii) punitive damages in the amount of $80,000,000. Defendants have denied the material allegations of the complaint and asserted numerous affirmative defenses and a counterclaim for recovery of all damages, if any, assessed in the action brought by the FDIC described above. On March 6, 1979 Sindona appeared for his deposition by defendants pursuant to order of the District Court and asserted his Fifth Amendment privilege against self-

92750693

incrimination in response to all questions asked of him with respect to material allegations of the complaint. On March 9, 1979, defendants made a motion to compel Sindona to comply with defendants discovery request and upon his failure to do so on Fifth Amendment grounds, to have the complaint dismissed with prejudice.

In August 1978 an action was commenced in the Supreme Court of the State of New York, County of New York, by Sol Neil Corbin, as Trustee in Bankruptcy of FNYC, against the same defendants named in the two actions described above. The complaint essentially sets forth four causes of action: (1) that Mr. Tisch, the Company and Lawton misused the FNYC stock ownership and Mr. Tisch's directorships in FNYC and FNB and "inside information" to obtain a premium on the sale of 1,000,000 shares of FNYC common stock to Fasco; (2) that Mr. Tisch and the Company owed fiduciary duties to FNYC and FNB which were breached by alleged failure to make proper investigation of Sindona; (3) that Mr. Tisch, the Company and Lawton misused their positions to "secure" for Sindona and his associates positions of management control of FNB and, particularly, its international business, as a result of which Sindona caused FNB to suffer substantial damages; and (4) that Mr. Tisch, the Company and Lawton owed a fiduciary duty to FNYC not to use FNYC's assets for their own interests and benefit, which duty was breached by demanding and receiving from Fasco a substantial premium over the fair value of the FNYC common stock sold by the Company and Lawton. Plaintiff Trustee seeks (1) judgment in the amount of all profits and benefits derived from the alleged use of inside information in the sale of 1,000,000 shares of FNYC common stock referred to above; (2) damages of not less than $45,000,000 with respect to the alleged failure to investigate Sindona's suitability; (3) judgment for any premium received from the alleged sale of FNYC's corporate offices and management control of FNB's international banking operations; and (4) judgment in the amount of any premium received for allegedly placing Sindona in a position to utilize FNYC's assets for his own benefit. The defendants have denied the material allegations of the Complaint and asserted numerous affirmative defenses. The action is presently in a preliminary discovery stage.

Pending litigation also includes other civil and anti-trust actions for damages. Because of the nature of litigation, it is not possible to predict the outcome of these actions; however, in the opinion of Management, the outcome of such actions should not materially affect the business or assets of the Company and its subsidiaries.

As reported in the Company's Form 8-K for the month of January 1977, the Company had voluntarily disclosed that during the period 1971 through 1976 it made certain questionable foreign payments in the amount of approximately $1.6 million and improperly reimbursed certain domestic political contributions made by certain executives of the Company in the amount of approximately $62,100. The Securities and Exchange Commission conducted an informal review of materials and information voluntarily disclosed by the Company and, in mid-1977, indicated that its staff was no longer investigating the Company in connection with such payments. An investigation of such payments by the Internal Revenue Service (IRS) regarding possible violations of the tax laws was concluded in 1978 with respect to the Company's tax years ended August 31, 1971 and 1972. The Company has been advised by the audit division of the IRS that it will seek to impose a 5% civil negligence penalty for such years because of the tax treatment of such payments. It is also probable that the IRS will seek to impose the 5% civil negligence penalty in connection with the audit of the Company's tax returns for later years through 1974. If the IRS is successful, the civil negligence penalty would apply to the entire underpayment of the Company's taxes for the years involved even though only part of the underpayment is determined to be the result of negligence. The Company is not able, at this time, to predict the outcome of the IRS's attempt to impose the civil negligence penalty. Other governmental agencies may be continuing to investigate such payments.

92750694

Item 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES AND INDEBTEDNESS.

(a) Changes in outstanding equity securities:

	Shares of Common Stock Par Value $1 Per Share	Warrants
Outstanding, December 31, 1977	100	6,130,556
Warrants purchased by Loews (See Note 8 of Notes to Consolidated Financial Statements)		(262,800)
Exercise of warrants		(2,716)
Outstanding, December 31, 1978	100	5,865,040

(b) and (c) Changes in outstanding debt securities and other debt:

Inapplicable.

Item 7. CHANGES IN SECURITIES AND CHANGES IN SECURITY FOR REGISTERED SECURITIES.

None

Item 8. DEFAULTS UPON SENIOR SECURITIES.

None

Item 9. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS.

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	One (1) as of March 23, 1979
12-Year Warrants expiring November 29, 1980 (for purchase of Loews' Common Stock)	Approximately 13,974 as of March 23, 1979

Item 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Inapplicable.

Item 11. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Unchanged from previous Form 10-K filed for the four months ended December 31, 1974.

92750695

Item 12. FINANCIAL STATEMENTS, EXHIBITS FILED, AND REPORTS ON FORM 8-K.

The following consolidated financial statements and schedules are filed as part of this report:

(a)1 Financial Statements:

	Page Number
LOEW'S THEATRES, INC. AND SUBSIDIARIES:	
Financial Statements:	
Auditors' Opinion	21
Consolidated Balance Sheets as of December 31, 1978 and December 31, 1977	22
Statements of Consolidated Income for the years ended December 31, 1978 and 1977	24
Statements of Consolidated Earnings Retained in the Business for the years ended December 31, 1978 and 1977	25
Statements of Consolidated Additional Paid-in Capital for the years ended December 31, 1978 and 1977	25
Statements of Changes in Consolidated Financial Position for the years ended December 31, 1978 and 1977	26
Notes to Consolidated Financial Statements	27
Schedules:	
Schedule I—Marketable securities at December 31, 1978	40
Schedule V—Property, plant and equipment for the years ended December 31, 1978 and 1977	42
Schedule VI—Accumulated depreciation and amortization of property, plant and equipment for the years ended December 31, 1978 and 1977	43
Schedule VII—Intangible assets for the years ended December 31, 1978 and 1977	44
Schedule XII—Valuation and qualifying accounts and reserves for the years ended December 31, 1978 and 1977	45
Schedule XIII—Capital shares at December 31, 1978	46
Schedule XIV—Warrants at December 31, 1978	47

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are omitted because of the absence of the conditions under which they are required, or because the information required is set forth in the consolidated financial statements or the accompanying notes.

Individual financial statements of the Registrant have been omitted as the Registrant, primarily an operating company, is a wholly-owned subsidiary of Loews Corporation. The individual financial statements of that company have been included in the Loews Corporation Form 10-K filed for the year ended December 31, 1978.

(a)2 Exhibits:

None

(b) Reports on Form 8-K:

None

92750996

PART II

Item 13. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(a) and (b) All of the outstanding shares of Common Stock of Registrant are owned by Loews. The following table contains certain information as of March 2, 1979, as to all persons who, to the knowledge of Loews, were the beneficial owners of 5% or more of the Common Stock of Loews.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
Laurence A. Tisch 666 Fifth Avenue New York, New York	Loews Common Stock	2,663,607(1)(2)	23.57%
Preston R. Tisch 666 Fifth Avenue New York, New York	Loews Common Stock	2,518,271(1)	22.27%

(1) The Messrs. Tisch are brothers and may be deemed to be control persons of the Registrant and Loews.

(2) Includes 145,336 shares of Common Stock of Loews, constituting approximately 1.3% of the outstanding shares of Common Stock of Loews, which Laurence A. Tisch holds as trustee of trusts for the benefit of the children of Preston R. Tisch. As trustee, Laurence A Tisch has sole voting and investment power with respect to such shares. Laurence A. Tisch disclaims any beneficial interest in shares held by such trusts.

(c) None.

Item 14. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

(a) Directors

Name	Positions and Offices Held and other Directorships	First Became Director	Age
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer of the Company and Loews(1)	1959	56
Preston R. Tisch	President and Chief Operating Officer of the Company and Loews(2)	1960	52
Lester Pollack	Executive Vice President of the Company and Loews(3)	1971	45
Bernard Myerson	Executive Vice President of the Company and Loews and President of Loew's Theatres Division	1963	61

(1) Also Chairman of the Board of CNA Financial Corporation, a 57% owned subsidiary of Loews ("CNA"), and a director of Automatic Data Processing, Inc.

(2) Also a director of CNA and Healthco, Inc., a 45% owned subsidiary of CNA ("Healthco").

(3) Also a director of CNA, Healthco, General Finance Corporation, a wholly-owned subsidiary of CNA, United Realty Trust and Parlex Corporation.

Directors are elected for a term of one year and hold office until their successors are elected and qualified. All directors of the Company are directors and executive officers of Loews and have been engaged actively and continuously in the business of the Company and Loews and their predecessors and subsidiaries for more than the past five years.

92750697

(b) Executive Officers

Name	Position and Offices Held	Age	First Became Officer
Kenneth Abrams	Vice President	45	1975
Gerald Diamond	Vice President	63	1972
Robert J. Hausman	Vice President	55	1973
Barry Hirsch	Vice President, Secretary and General Counsel	45	1971
Harry Katz	Controller	52	1974
Bernard Myerson	Executive Vice President	61	1963
Lester Pollack	Executive Vice President	45	1965
Roy E. Posner	Vice President—Financial Services	45	1973
Arthur J. Raporte	Vice President	61	1960
Jacob Sullman	Treasurer	62	1958
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	56	1959
Preston R. Tisch	President and Chief Operating Officer	52	1960

All executive officers of the Company are executive officers of Loews and have been engaged actively and continuously in the business of Loews and the Company and its predecessors and subsidiaries for more than the past five years. Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

Item 15. MANAGEMENT REMUNERATION AND TRANSACTIONS.

All of the directors and officers of the Company are directors and officers of Loews. The following table sets forth certain information for the fiscal year ended December 31, 1978 concerning remuneration paid or accrued by Loews and its subsidiaries, including the Company, for services in all capacities for each of the five highest paid executive officers or directors of the Company whose total remuneration exceeded $50,000 and for all officers and directors of the Company as a group.

Name of Individual or Persons in Group	Capacities in Which Served	Cash and Cash—Equivalent Forms of Remuneration: Salaries, Fees, Directors' Fees, Commissions and Bonuses	Cash and Cash—Equivalent Forms of Remuneration: Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits(1)
Curtis H. Judge	President, Lorillard	$ 231,696	$ 11,564
Bernard Myerson	Executive Vice President; President, Loews Theatres Division	$ 200,000	$ 44,248(3)
Lester Pollack	Executive Vice President	$ 249,800(2)	$ 18,602
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	$ 342,400(2)	$ 5,200
Preston R. Tisch	President and Chief Operating Officer	$ 342,400(2)	$ 7,778
All directors and officers as a group including the foregoing (13 persons)		$1,970,461	$189,646(4)

(1) Includes total costs incurred or estimated by Loews for Loews owned or leased automobiles, private club dues and hotel and apartment accommodations and facilities at Loews-owned properties made available for the convenience of Loews and otherwise. The portion, if any, of such amounts which might be considered to be personal benefits has not been allocated. Also includes the employer contribution under Loews' and the Company's Employees' Savings Plan, described below. An apartment for the use of Preston R. Tisch is maintained at a Loews operated hotel in New York City for the

92750698

convenience of Loews and its Hotel Division. Loews estimates that the incremental cost of such apartment amounted to approximately $62,000 for 1978. During 1978 Laurence A. Tisch and Preston R. Tisch reimbursed Loews and the Company an aggregate of $161,219 for utilization by them of the services of certain employees and facilities of Loews and the Company.

(2) Includes fees received by Messrs. Pollack, Laurence A. Tisch and Preston R. Tisch during 1978 of $19,800, $14,800 and $14,800, respectively, as directors and members of committees of the Boards of CNA and certain of its subsidiaries.

(3) $21,252 of this amount represents the excess of the fair market value over the exercise price of shares of Loews Common Stock acquired during 1978 by Mr. Myerson upon the exercise of options granted under the Loews Key Employees' Qualified Stock Option Plan.

(4) $54,381 of this amount represents the excess of the fair market value over the exercise price of shares of the Loews' Common Stock acquired during 1978 by certain officers and directors upon the exercise of options granted under the Loews Key Employees Qualified Stock Option Plan.

Pension costs cannot be readily allocated to individual employees. In 1978, Loews and the Company contributed to the Retirement Plan for Employees of Loews 7.67% of the total compensation covered by the Plan. Compensation as defined in the Plan includes all compensation as an employee included in the table above under the column "salaries, fees, directors' fees, commissions, and bonuses". The following table sets forth representative retirement benefits for various Average Compensation and Credited Service, as computed under the Retirement Plan.

Highest Consecutive Five-Year Average Compensation	Normal Retirement in 1979 Estimated Annual Pension for Representative Years of Credited Services		
	10	20	30
$ 20,000	$ 2,712	$ 5,423	$ 8,135
30,000	4,312	8,623	12,935
40,000	5,912	11,823	17,735
50,000	7,512	15,023	22,535
75,000	11,512	23,023	34,535
100,000	15,512	31,023	46,535
150,000	23,512	47,023	70,535
200,000	31,512	63,023	94,535
250,000	39,512	79,023	118,535*
300,000	47,512	95,023	142,535*
350,000	55,512	111,023*	166,535*

* This benefit amount may be limited at retirement by Section 415 of the Internal Revenue Code.

An employment agreement with Mr. Judge expiring May 31, 1982 provides for remuneration at the following annual rates: $240,000 to June 1, 1979; $270,000 to May 31, 1980; $300,000 to May 31, 1981; and $335,000 to the expiration date. The agreement provides that the Company shall pay to Mr. Judge $2,500 per year to be applied at his discretion to an insurance program selected by him. Deferred compensation accrued under a prior employment agreement, totalling $75,417 was paid to Mr. Judge on January 2, 1979.

An employment agreement with Mr. Myerson expiring March 31, 1983, provides for remuneration at the following annual rates: $200,000 to August 31, 1979; $225,000 to March 31, 1981; and $250,000 to the expiration date. The agreement also requires Loews to provide Mr. Myerson with an insurance disability policy, the annual premium for which was $941 in 1978.

An employment agreement with Mr. Pollack, expiring March 31, 1979, provides for remuneration at the annual rate of $200,000. The agreement also requires Loews to provide Mr. Pollack with an insured disability policy, the annual premium for which was $1,666 in 1978. In addition, pursuant to the agreement, Mr. Pollack receives an expense allowance of $10,000 per annum for which he is not required to account to Loews.

92750699

An employment agreement with Laurence A. Tisch, expiring February 29, 1980, provides for basic remuneration at the rate of $327,600 per annum, subject to such increases as the Board of Directors may from time to time determine in its sole discretion. Pursuant to provisions for deferred compensation under employment agreements in effect prior to March 1, 1971, which have expired, Laurence A. Tisch will be paid, commencing with the termination of his active employment by Loews, the sum of $500 per week for approximately ten and one half years provided that after such termination he renders advisory services to Loews and does not engage in any business which is in direct or substantial competition with the business of Loews.

An employment agreement with Preston R. Tisch, expiring February 29, 1980, provides for basic remuneration at the rate of $327,600 per annum, subject to such increases as the Board of Directors may from time to time determine in its sole discretion. Pursuant to provisions for deferred compensation under employment agreements in effect prior to March 1, 1971, which have expired, Preston R. Tisch will be paid, commencing with termination of his active employment by Loews, the sum of $500 per week for a period of six years.

With respect to all officers and directors as a group, the Company is presently committed under an employment agreement other than those agreements described above to make remuneration payments aggregating $210,000 for the period 1979 through 1980.

Loews' Employees' Savings Plan

Under the Loews' Employees' Savings Plan employees may make a basic contribution of 2%, 4% or 6% of their base pay, with a maximum basic contribution of $2,400 per annum, and Loews contributes an additional amount equal to one-half the employee's basic contributions. Employees may also make an additional contribution of 2%, 4% or 6% of base pay, with a maximum additional contribution of $2,400 per annum, for which there is no additional contribution by Loews. The Plan provides for vesting of Loews' contribution at the rate of 20% after the first year, an additional 10% after each of the next three years, and 100% vesting at the end of the fifth year and each year after the fifth year of participation by an employee, or earlier in the event of normal or early retirement or death. Employee contributions and the vested portion of Loews contributions may be withdrawn at any time. Contributions to the Savings Plan are invested exclusively for the benefit of Plan members in marketable securities, bank certificates of deposit and group annuity contracts with insurance companies. During the year ended December 31, 1978, Loews contributed to the Plan $713,137, of which $697,537 was for the benefit of employees other than directors and officers and $15,600 was for the benefit of officers and directors.

SIGNATURES

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

LOEW'S THEATRES, INC.

By ROY E. POSNER

(Roy E. Posner, Vice President—Financial Services)

Dated: March 28, 1979

92750700

AUDITORS' OPINION

The Board of Directors
and Shareholder of Loew's Theatres, Inc.:

We have examined the consolidated balance sheets of Loew's Theatres, Inc. and subsidiaries as of December 31, 1978 and 1977 and the related statements of income, earnings retained in the business, additional paid-in capital and changes in financial position for the years then ended, and the additional financial data listed in the accompanying index (page 16). 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.

In our opinion, these financial statements present fairly the financial position of Loew's Theatres, Inc. and subsidiaries at December 31, 1978 and 1977 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Further, it is our opinion that the additional financial data listed in the accompanying index (page 16) presents fairly the information therein set forth.

Touche Ross & Co.
Certified Public Accountants

February 28, 1979
New York, New York

92750701

LOEW'S THEATRES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 1978	December 31, 1977
CURRENT ASSETS:		
Cash on hand and demand deposits	$ 18,153,000	$ 22,203,000
Invested cash, including $21,982,000 and $120,886,000 of United States Government Securities	170,834,000	216,408,000
Receivables:		
Trade, less allowance for doubtful accounts and cash discounts of $4,983,000 and $6,342,000	28,779,000	30,496,000
Other, less allowance for doubtful accounts of $748,000 and $548,000	17,200,000	16,611,000
Inventories (Note 1):		
Leaf tobacco	283,359,000	270,417,000
Manufactured stock	28,343,000	26,259,000
Materials, supplies, etc.	10,310,000	12,200,000
Total current assets	557,478,000	594,594,000
INVESTMENTS IN SECURITIES, at cost, quoted market values of $199,800,000 and $131,776,000 (Notes 1 and 5)	194,914,000	118,207,000
Total current assets and investments in securities	752,392,000	712,801,000
INVESTMENTS AND ADVANCES:		
Investments in associated companies (Notes 1 and 4)	551,000	1,407,000
Investments in and advances to affiliated companies (Note 1)	98,165,000	80,343,000
Other investments, at cost:		
Mortgages and notes receivable, less allowance for discounts of $2,274,000 and $1,339,000 (maturing through 1992 at interest rates ranging from 5% to 10% at December 31, 1978) (Note 10)	23,646,000	26,787,000
Other	622,000	733,000
Total investments and advances	122,984,000	109,270,000
PROPERTY, PLANT AND EQUIPMENT, net (Notes 1 and 3)	191,892,000	185,067,000
OTHER ASSETS:		
Cost in excess of net assets acquired (Note 1)	33,331,000	31,392,000
Trademarks	92,470,000	92,645,000
Patents and licenses, less accumulated amortization of $3,404,000 and $3,070,000	1,917,000	2,251,000
Prepaid expenses, deferred charges, etc.	7,459,000	3,905,000
Total other assets	135,177,000	130,193,000
Total assets	$1,202,445,000	$1,137,331,000

See the accompanying Notes to Consolidated Financial Statements.

92750702

LOEW'S THEATRES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31, 1978	December 31, 1977
CURRENT LIABILITIES:		
Accounts payable, principally trade	$ 67,942,000	$ 43,736,000
Accrued liabilities:		
Payroll	6,142,000	5,208,000
Interest	4,722,000	4,998,000
Other	3,505,000	1,555,000
Accrued taxes:		
Federal and foreign income taxes (Note 12)	18,932,000	38,890,000
Excise and other taxes	30,323,000	29,242,000
Current maturities of long-term debt, less unamortized discount (Note 7)	4,554,000	16,772,000
Total current liabilities	136,120,000	140,401,000
LONG-TERM DEBT, LESS CURRENT MATURITIES AND UNAMORTIZED DISCOUNT (Notes 7 and 10):		
Senior debt	180,059,000	181,220,000
Subordinated debt	394,620,000	399,545,000
Total	574,679,000	580,765,000
Less unamortized discount	25,058,000	27,519,000
Long-term debt—net	549,621,000	553,246,000
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes (Note 12)	22,542,000	21,408,000
Accrued employee benefits (Note 11)	4,294,000	4,926,000
Deferred credits and other noncurrent liabilities	4,064,000	2,213,000
Total deferred credits and other liabilities	30,900,000	28,547,000
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10, 11, 12 and 14)		
SHAREHOLDER'S EQUITY (Notes 7 and 8):		
Common stock authorized and outstanding—100 shares; par value—$1 per share, $100 in aggregate (no change during the periods)		
Additional paid-in capital	124,263,000	124,263,000
Earnings retained in the business	361,541,000	290,874,000
Shareholder's equity	485,804,000	415,137,000
Total liabilities and shareholder's equity	$1,202,445,000	$1,137,331,000

See the accompanying Notes to Consolidated Financial Statements.

92750703

LOEW'S THEATRES, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

	Years Ended December 31,	
	1978	1977
REVENUES:		
Manufactured products (Note 1)	$809,815,000	$731,484,000
Theatres and hotels	121,374,000	123,422,000
Other, principally interest, rent and dividends	47,926,000	38,403,000
Total	979,115,000	893,309,000
EXPENSES:		
Cost of manufactured products sold (Note 1)	532,306,000	501,647,000
Operating	89,916,000	91,714,000
Selling, advertising and administrative	193,698,000	172,890,000
Depreciation and amortization (Notes 1 and 3)	12,901,000	10,646,000
Interest and amortization of debenture discount and expense	44,500,000	43,569,000
Total	873,321,000	820,466,000
INCOME BEFORE ITEMS SET FORTH BELOW	105,294,000	72,843,000
PROVISIONS FOR INCOME TAXES (Note 12):		
Federal:		
Current	35,779,000	21,299,000
Deferred	739,000	(1,611,000)
State and city, principally current	6,013,000	6,984,000
Foreign	3,587,000	5,047,000
Total	46,118,000	31,719,000
INCOME FROM CONTINUING OPERATIONS	59,176,000	41,124,000
INCOME FROM DISCONTINUED OPERATIONS (Note 13):		
Income from operations of international cigarette business (less applicable income taxes of $1,000,000)		1,565,000
Gain on sale of international cigarette business (less applicable income taxes of $58,400,000)		44,149,000
Total		45,714,000
INCOME BEFORE REALIZED INVESTMENT GAINS	59,176,000	86,838,000
REALIZED INVESTMENT GAINS—NET (Net unrealized investment losses of $8,683,000 and $16,933,000 have not been reflected) (Notes 1 and 5):		
Realized investment gains	19,651,000	16,171,000
Less applicable income taxes (including deferred taxes (benefits) of $81,000 and ($18,000))	8,160,000	5,530,000
Realized investment gains—net	11,491,000	10,641,000
NET INCOME	$ 70,667,000	$ 97,479,000

See the accompanying Notes to Consolidated Financial Statements.

92750704

LOEW'S THEATRES, INC. AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED EARNINGS RETAINED IN THE BUSINESS

	Years Ended December 31,	
	1978	1977
Balance, beginning of year	$290,874,000	$201,190,000
Add—Net income	70,667,000	97,479,000
Total	361,541,000	298,669,000
Deduct—Dividends other than cash, $77,950 per share (Note 2)		7,795,000
Balance, end of year	$361,541,000	$290,874,000

STATEMENTS OF CONSOLIDATED ADDITIONAL PAID-IN CAPITAL

	Years Ended December 31,	
	1978	1977
Balance, beginning of year	$124,263,000	$121,955,000
Add—Contribution of subsidiary's capital stock (Note 2)		2,308,000
Balance, end of year	$124,263,000	$124,263,000

See the accompanying Notes to Consolidated Financial Statements.

92750705

LOEW'S THEATRES, INC. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

	Years Ended December 31,	
	1978	1977
FUNDS PROVIDED:		
Income before realized investment gains	$ 59,176,000	$ 86,838,000
Items not currently requiring funds:		
Depreciation and amortization	12,901,000	10,646,000
Unrealized losses on translation of foreign currency	4,196,000	1,468,000
Deferred income taxes (benefits)	739,000	(1,611,000)
Other—net	(224,000)	9,469,000
Funds provided from operations before realized investment gains	76,788,000	106,810,000
Realized investment gains—net	11,491,000	10,641,000
Deferred income taxes (benefits) relating to realized investment gains	81,000	(18,000)
Funds provided from operations	88,360,000	117,433,000
Dispositions of investments and advances	5,031,000	19,286,000
Reduction of cost in excess of net assets acquired attributable to income tax benefits	1,720,000	1,874,000
Issuance of long-term debt	3,624,000	85,599,000
Dispositions of property, plant and equipment	4,263,000	23,399,000
Disposition of assets related to sale of international cigarette business (Note 13)		36,452,000
Total	102,998,000	284,043,000
FUNDS APPLIED:		
Additions to investments and advances	18,856,000	7,196,000
Dividends paid		7,795,000
Additions to property, plant and equipment	22,305,000	10,629,000
Reduction of long-term debt	14,164,000	106,979,000
Other—net	3,301,000	1,423,000
Total	59,126,000	134,027,000
NET FUNDS PROVIDED (APPLIED) REPRESENTED BY:		
Increase in investments in securities	76,707,000	18,808,000
(Decrease) increase in working capital	(32,835,000)	131,208,000
Total	$ 43,872,000	$150,016,000
NET FUNDS PROVIDED (APPLIED) BY COMPONENT:		
Increase in investments in securities	$ 76,707,000	$ 18,808,000
(Decrease) increase in working capital:		
Cash on hand, demand deposits and invested cash	(49,624,000)	209,280,000
Receivables	(1,128,000)	(20,181,000)
Inventories	13,636,000	(26,115,000)
Short-term debt		26,680,000
Accounts payable and accrued liabilities	(26,314,000)	(7,813,000)
Accrued taxes	18,377,000	(38,040,000)
Current maturities of long-term debt, less unamortized discount	12,218,000	(12,603,000)
(Decrease) increase in working capital	(32,835,000)	131,208,000
Total	$ 43,872,000	$150,016,000

See the accompanying Notes to Consolidated Financial Statements.

92750706

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of consolidation—The consolidated financial statements of the Company, a wholly-owned subsidiary of Loews Corporation (Loews), include all of its subsidiaries in accordance with generally accepted accounting principles. All material intercompany accounts have been eliminated.

Accounting changes—Accounting for leases—As of December 31, 1977 the Company adopted Statement No. 13, "Accounting for Leases" of the Financial Accounting Standards Board (FASB), issued in November 1976, requiring retroactive application with restatement of prior periods.

As a result of this change, certain lease values have been capitalized, certain assets have been considered disposed of and, where appropriate, related liabilities recorded. In addition, interest expense, amortization expense and unrealized gains and losses on foreign currency translations have been recorded. (See "Translation of foreign currency.")

Translation of foreign currency—Currencies of foreign subsidiaries have been translated using current exchange rates for cash, receivables and liabilities and historical exchange rates for net property, inventories and other assets. Income and expenses are translated at average monthly exchange rates. Such translation gains and losses are not material.

Funds in foreign currencies for the payment of the long-term portion of non-recourse liabilities arising from the capitalization of leases of foreign properties are expected to be provided from future operations of such properties. Accordingly, it is Management's opinion that inclusion of these unrealized gains and losses in the results of operations as required by FASB Statement No. 8 is inappropriate. Net income for the years ended December 31, 1978 and 1977 included such unrealized losses of $2,425,000 and $896,000, respectively.

Inventories—Leaf tobacco, manufactured stock and materials and supplies—These inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method. If the average cost method of accounting had been used for leaf tobacco, manufactured stock and materials and supplies inventories instead of the LIFO method, such inventories would have been $122,707,000 and $98,742,000 higher at December 31, 1978 and 1977, respectively.

The entire inventory of leaf tobacco has been classified as a current asset in accordance with generally recognized trade practice although, due to the duration of the aging processes, a substantial portion of the tobacco on hand ordinarily will not be sold or used within one year.

Inventories used to determine cost of manufactured products sold were $322,512,000, $308,876,000 and $334,991,000 at December 31, 1978, 1977 and 1976, respectively.

Investments in securities—Security investments are carried at the aggregate of the lower of cost or quoted market value. The quoted market value of investments in securities held by the Company at December 31, 1978 and 1977 exceeded cost. The cost of securities sold is determined on the identified certificate or first-in, first-out method.

Investments in associated companies—The Company carries its investment in associated companies at cost adjusted for its share of income and capital changes from the dates of acquisition and reports as income its proportionate share of earnings less any allowance for investment valuation. The Company provides for deferred Federal income taxes as appropriate.

92750707

Investments in and advances to affiliated companies—Investments in and advances to affiliated companies are carried at cost and consist of:

	December 31,	
	1978	1977
Investments:		
Investment in JHS Real Estate Company preferred stock (a 99.75% owned subsidiary of Loews)	$10,172,000	$11,035,000
Advances:		
Loews	87,993,000	69,308,000
Total	$98,165,000	$80,343,000

Property, plant and equipment—Depreciation is computed principally on the straight-line method over the estimated useful lives of the various classes of properties. Capitalized leases, leaseholds and leasehold improvements are depreciated or amortized over the terms of the related leases (including optional renewal periods where appropriate) or the estimated lives of improvements, if less than the lease term.

The principal service lives used in computing provisions for depreciation are as follows:

	Years
Buildings and building equipment	40 to 50
Machinery and equipment	5 to 20
Hotel building fixtures	10 to 20
Hotel equipment	4 to 12
Theatre and other equipment	3 to 20

The cost of maintenance and repairs is charged to income as incurred. Major renewals and betterments are capitalized. Upon the retirement or other disposition of property, the asset is credited and accumulated depreciation is charged with the amounts applicable to such property. The profit or loss is included in income. Fully depreciated equipment is eliminated from the asset and accumulated depreciation accounts whether or not still in use.

Cost in excess of net assets acquired—The aggregate cost of investments in subsidiaries exceeded equity in underlying net assets acquired as follows (net of applicable amortization):

	December 31,	
	1978	1977
Lorillard Division (Lorillard)	$29,677,000	$31,392,000
Loews Hotels (London) Ltd.	3,636,000	
Other	18,000	
Total	$33,331,000	$31,392,000

Lorillard Corporation was acquired in November 1968, liquidated and merged into the Company in July 1969. It has continued operations as a division (Lorillard) of the Company. The cost in excess of net assets acquired, related to this acquisition, originally amounting to $128,944,000 before deduction of the estimated tax benefits referred to below, has been attributed to other intangibles, which, in the opinion of Management, have continuing value. It is the Company's policy not to amortize this excess as long as there

92750708

is no diminution in value of the investment. The cost in excess of net assets acquired applicable to Lorillard's international cigarette business, amounting to $26,528,000, was eliminated as a result of the sale of this business in June 1977.

As a result of the liquidation of Lorillard, the Company realized certain income tax benefits ($72,739,000) which have been considered to be partial recoveries of the cost in excess of net assets acquired.

In November 1973, the Company received an examination report from the Internal Revenue Service (IRS) advising the Company that it will seek to deny a substantial part of such tax benefits for years through 1970 ($26,000,000). The IRS presumably will also seek to deny such benefits for later years. The Company did not accept the position of the IRS and filed a protest in February 1974. Should the IRS be successful in its disallowance of any portion of the above-mentioned tax benefits, such portion will accordingly be restored to cost in excess of net assets acquired.

In January 1978, the Company acquired Loews Hotels (London) Ltd. (formerly Tollman Hotels (London) Ltd.) whose principal asset was a capital lease. The cost in excess of net assets acquired amounting to $4,477,000 is currently being amortized over five years.

Excise taxes—Tobacco excise taxes of $217,715,000 and $210,868,000 paid on sales of manufactured products during the years ended December 31, 1978 and 1977, respectively, are included in revenues from, and cost of, manufactured products sold in the accompanying statements of consolidated income.

2. Transfer of Hotel Subsidiaries by Dividend

Effective September 30, 1977, the Company transferred to Loews, by way of a dividend, its investment in wholly-owned subsidiaries that operate the Regency, Drake and Summit Hotels in New York City and the Churchill Hotel in London, England (Loew's (Great Britain) Limited (LGB)). On December 31, 1977, Loews transferred, by way of a capital contribution, its investment in LGB to the Company. The following summarizes the results of operations of those subsidiaries, excluding LGB, for the year ended December 31, 1977:

Revenues, principally hotel operations	$26,382,000
Operating expenses	16,260,000
Selling, advertising and administrative expenses	3,086,000
Depreciation and amortization	1,140,000
Interest expense	680,000
Total	21,166,000
Income before taxes	5,216,000
Income taxes	2,818,000
Net income	$ 2,398,000

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3. Property, Plant and Equipment

	December 31,			
	1978		1977	
	Total	Leased Property Under Capital Leases	Total	Leased Property Under Capital Leases
Land	$ 24,473,000		$ 26,120,000	
Buildings and building equipment	138,413,000	$62,130,000	133,964,000	$60,237,000
Machinery and equipment	94,930,000		86,007,000	
Leaseholds and leasehold improvements	5,923,000		6,984,000	
Total	263,739,000	62,130,000	253,075,000	60,237,000
Less accumulated depreciation and amortization	71,847,000	9,482,000	68,008,000	8,241,000
Property, plant and equipment—net	$191,892,000	$52,648,000	$185,067,000	$51,996,000

Depreciation and amortization expense (including amounts related to leased property under capital leases and intangible assets) and capital expenditures by business segment are as follows:

	Years ended December 31,			
	1978		1977	
	Depreciation and Amortization	Capital Expenditures	Depreciation and Amortization	Capital Expenditures
Tobacco products	$ 7,010,000	$12,104,000	$ 4,971,000	$ 6,804,000
Hotels	3,150,000	5,454,000	3,064,000	1,724,000
Theatres	1,555,000	2,295,000	1,522,000	1,477,000
Other	511,000	102,000	586,000	15,000
Total business segments	12,226,000	19,955,000	10,143,000	10,020,000
Corporate	675,000	2,850,000	503,000	609,000
Total	$12,901,000	$22,805,000	$10,646,000	$10,629,000

4. Investments in Associated Companies

All investees are closely held, and in the opinion of Management, the carrying values of such investments are not in excess of its underlying value.

Investments in associated companies, by industry segment, consist of:

	December 31,	
	1978	1977
Equity securities:		
Tobacco products		$ 737,000
Theatres	$551,000	670,000
Total	$551,000	$1,407,000

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5. Investments in Securities

The aggregate cost and quoted market value for the Company's investments in securities are as follows:

	Aggregate Cost	Quoted Market Value
December 31, 1978	$194,914,000	$199,800,000
December 31, 1977	118,207,000	131,776,000

At December 31, 1978, gross unrealized gains and losses pertaining to investments in marketable securities amounted to $16,483,000 and $11,597,000, respectively.

6. Short-Term Debt

Notes are payable on demand, except for commercial paper which is due generally over terms approximating 30 days. The maximum amount of short-term debt outstanding at any month end during the year ended December 31, 1977 was $20,740,000. The average amount of short-term debt outstanding during that period was approximately $8,115,000 and the weighted average interest rate was approximately 5.2%. As of December 31, 1978, unused lines of credit available for short term borrowings at the prime interest rate (11.75% at December 31, 1978) aggregated approximately $79,000,000. Certain lines of credit are subject to compensating balances ranging up to 20%.

Balances maintained by the Company with various banks that also extend credit to the Company may be withdrawn at any time and are not material in relation to the consolidated liquid assets of the Company.

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7. Long-Term Debt

Long-term debt, net of debentures held by the Company (a), consists of:

	December 31, 1978	December 31, 1977
Senior debt, less current maturities and unamortized discount:		
Twenty-five year 3¼% debentures due 1978 (effective interest rate of 3¼%) (authorized $22,500,000)		$ 7,376,000
4⅜% sinking fund debentures due 1986 (effective interest rate of 5%) (authorized $40,000,000)	$ 10,937,000	17,176,000
Notes payable to banks due June 30, 1987, interest rates of 8¼% (first year) to 8¾% (seventh year) then 115% of prime commercial rate plus ⅜ of 1% (e)	85,000,000	85,000,000
Obligations under capital leases (effective interest rates range from 5% to 9% at December 31, 1978) (f)	58,045,000	51,542,000
Other senior debt, principally mortgages (nominal and effective interest rates range from 5⅛% to 9⅛% at December 31, 1978)	28,031,000	34,483,000
Less:		
Current maturities	(1,954,000)	(14,357,000)
Unamortized discount (b)	(93,000)	(152,000)
Senior debt—net	179,966,000	181,068,000
Subordinated debt, less current maturities and unamortized discount:		
6¾% subordinated debentures due 1993 (effective interest rate of 7¼%) (authorized $13,720,000)	9,119,000	9,369,000
6⅞% subordinated debentures due 1993 (effective interest rate of 7⅛%) (authorized $415,000,000) (c)	388,101,000	392,091,000
Less:		
Current maturities	(2,600,000)	(2,415,000)
Unamortized discount (d)	(24,965,000)	(27,367,000)
Subordinated debt—net	369,655,000	372,178,000
Long-term debt—net	$549,621,000	$553,246,000

(a) Amounts of debentures held by the Company were:

	December 31, 1978	December 31, 1977
3¼%, due 1978		$ 274,000
4⅜%, due 1986	$8,263,000	3,624,000
6¾%, due 1993	1,171,000	1,107,000
6⅞%, due 1993	1,400,000	1,500,000

(b) Relates principally to other senior debt.

(c) Redeemable in whole or in part, commencing in 1976 at 105% and at decreasing percentages thereafter, and requiring annual sinking fund payments of $4,000,000 to 1980 and $18,052,000 from 1981 to 1992.

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(d) Relates principally to the 6¾% subordinated debentures.

(e) Pursuant to a Term Loan Agreement dated as of May 31, 1977, the Company borrowed $85,000,000 on June 8, 1977 from a group of banks. The loan is due in semi-annual installments commencing in 1984 and payable through 1987 when the final payment is due. The rate of interest increases from 8¼% in the first year to 8¾% in the seventh year, after which interest is payable at a rate equal to 115% of the sum of the prime rate in effect from time to time plus ⅛ of 1%.

(f) Relates to capitalized lease values. See Note 1 "Accounting for Leases".

The aggregate of long-term debt maturing during the five years ending December 31, 1983 is approximately as follows: 1979, $4,554,000 (included in current liabilities); 1980, $10,410,000; 1981, $20,635,000; 1982, $20,774,000; and 1983, $20,584,000.

The Term Loan Agreement and indentures relating to long-term debt of the Company contain, among other things, restrictive covenants relating to maintenance of minimum levels of working capital, net worth and payment of dividends on the Company's common stock. At December 31, 1978, the Company's working capital and net worth were in excess of the minimum requirements and the amount available for distribution to shareholders under the most restrictive covenant was approximately $252,799,000.

8. Obligations Assumed by Loews on Behalf of the Company

On February 1, 1971, the Company became a wholly-owned subsidiary of Loews pursuant to an Agreement and Plan of Merger under which Loews assumed the obligation to issue its common stock upon the exercise of the Company's warrants issued in the acquisition of Lorillard. Each warrant entitles the holder to purchase for cash (or through surrender of the 6¾% subordinated debentures at principal amount) one share of common stock at $40.00. The warrants expire on November 29, 1980. At December 31, 1978, 5,865,000 warrants were outstanding.

9. Business Segment Data

The Company is principally engaged in the production and sale of cigarettes and other tobacco products, the operation of hotels and the exhibition of motion pictures.

Information relating to the major sources of revenues, income and assets is contained at Page 1, Item 1—"Business Segments" and the information contained therein for the years ended December 31, 1978 and 1977 is incorporated herein by reference. See Notes 3 and 4 for additional information concerning depreciation and amortization and capital expenditures, and investments in associated companies, respectively.

10. Leases

Effective January 1, 1977, the Company changed its method of accounting for leases as stated in Note 1 to the consolidated financial statements.

The Company conducts a significant part of its theatre operations from leased facilities. Hotels in many instances are constructed on leased land or are leased. Other leases include central office facilities, computer equipment, automobiles and operating service offices.

Theatre leases are generally for terms of 20 to 25 years, containing renewal options for 5 to 10 year periods, and include rental escalation clauses based on revenue and increased expenses.

Hotel leases vary from 20 to 99 years duration and other leases range from month to month to 3 years (for equipment), to 20 years (for office space). It is expected that in the normal course of business, leases which expire will be renewed or replaced by leases on other properties; therefore, it is believed that future minimum annual rental commitments will not be less than the amount of rental expense incurred in 1978.

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The following is a schedule by years of future minimum lease payments under capital and operating leases for the five years ending December 31, 1983, together with the present value of net minimum lease payments of the capital leases at December 31, 1978:

	Minimum Rentals			
	Capital Leases		Operating Leases	
	Payable	Subleases	Payable	Subleases
Years Ending December 31,				
1979	$ 5,939,000	$ 282,000	$ 4,494,000	$ 478,000
1980	5,924,000	282,000	3,726,000	482,000
1981	5,904,000	282,000	3,117,000	482,000
1982	5,904,000	282,000	3,124,000	482,000
1983	5,904,000	282,000	3,215,000	482,000
Subsequent years	186,933,000	3,263,000	22,965,000	11,061,000
Total gross minimum lease payments (a)	216,508,000	$4,673,000	$40,641,000	$13,467,000
Less amounts representing estimated executory costs included in total minimum lease payments	3,087,000			
Net minimum lease payments	213,421,000			
Less amount representing interest	155,376,000			
Present value of net minimum lease payments	$ 58,045,000			

(a) Minimum lease payments do not include contingent rentals that may be paid under certain leases.

The components of rental expense were as follows:

	Years Ended December 31,	
	1978	1977
Capital leases:		
Contingent rentals	$ 569,000	$ 600,000
Operating leases:		
Minimum rentals	8,048,000	8,146,000
Contingent rentals	1,456,000	1,236,000
	9,504,000	9,382,000
Less sublease rentals	482,000	525,000
	9,022,000	8,857,000
Total	$9,591,000	$9,457,000

In addition, the Company leased to others under long term lease agreements certain of its hotel and theatre properties. These leases will expire over the next 21 and 12 years, respectively. The Company classifies these as sales-type leases.

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The following is a schedule of the components of the net investment in sales-type leases:

	December 31,	
	1978	1977
Total minimum lease payments to be received	$40,522,000	$42,511,000
Less amounts representing estimated executory costs included in total minimum lease payments	264,000	303,000
Net minimum lease payments receivable	40,258,000	42,208,000
Estimated residual value of leased property (unguaranteed)	561,000	561,000
Less unearned income	(19,566,000)	(21,090,000)
Net investment in sales-type leases	$21,253,000	$21,679,000

The minimum lease payments set forth above do not include contingent rentals which may be received (in addition to the minimum rent) on certain leases, based on revenues and increased expenses as defined. Such amounts were immaterial in 1978 and 1977. At December 31, 1978, the minimum lease payment for each of the five succeeding fiscal years is $1,974,000.

11. Retirement Plans

The Company and its subsidiaries have noncontributory retirement plans for eligible employees. It is the Company's policy to fund the accrued retirement cost relating to these plans. The total retirement cost amounted to $6,823,000 and $7,206,000 for the years ended December 31, 1978 and 1977, respectively, which includes amortization of the unfunded prior service costs, of approximately $53,732,000 at December 31, 1978, over a period of 33 years.

As of the most recent date for which actuarial computations are available, the pension fund assets of the salaried employee plan exceeded the actuarially computed value of the vested benefits. The actuarially computed value of the vested benefits of the hourly production employee plan was approximately $24,700,000 greater than the related pension fund assets and the accrued pension costs.

12. Income Taxes

The Company and its includable subsidiaries are consolidated in the Federal income tax return of Loews. Deferred Federal income taxes (benefits) have been provided for the tax effects of items reported in different periods for financial and income tax reporting purposes. The sources of these differences were as follows:

	Years Ended December 31,	
	1978	1977
Accelerated depreciation and amortization	$1,618,000	$ 2,527,000
Provisions not currently deductible	(520,000)	(2,438,000)
Unrealized foreign currency losses	(2,234,000)	(827,000)
Undistributed foreign income	826,000	
Other	1,049,000	(873,000)
	739,000	(1,611,000)
Realized investment gains	81,000	(18,000)
Total	$ 820,000	$(1,629,000)

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Total income tax expense for the years ended December 31, 1978 and 1977 (including $59,400,000 in 1977 relating to discontinued operations and $8,160,000 and $5,530,000, respectively, relating to realized investment gains) amounted to $54,278,000 and $96,649,000, respectively, (representing effective income tax rates of 43% and 50%, respectively). These amounts are less than the $59,974,000 and more than the $93,181,000 computed by applying the statutory U.S. Federal income tax rate of 48% to income before income taxes for each of the respective periods. The reasons for the variances from the statutory rate are as follows:

	Percent of Pre-Tax Income	
	Years Ended December 31,	
	1978	1977
Statutory rate	48%	48%
Increase (decrease) in income tax rate resulting from:		
Dividends received deduction	(3)	(1)
State and city income taxes	3	2
Gain on sale of international cigarette business		5
Capital gains	(2)	(2)
Other—net	(3)	(2)
Effective income tax rate	43%	50%

The Federal income tax liabilities of the Company have been settled through 1966. See Note 1—"Cost in excess of net assets acquired" for information relating to the IRS examination report for the years 1967-1970. The Company's Federal income tax returns have been examined through 1972, and the years 1973 through 1975 are currently under examination. While liabilities for subsequent years are subject to final determination, in the opinion of Management the amount accrued in the consolidated balance sheet is believed to be adequate to cover any additional assessments which may be made by the IRS.

It is the opinion of Management that the estimated cash outlay for taxes will not be materially in excess of the estimated tax expense (excluding possible additional assessments) during any one of the next three years.

13. Discontinued Operations

On June 22, 1977, the Company's Lorillard division sold to a subsidiary of B.A.T. Industries Limited the rights to its cigarette brands outside the United States and U.S. possessions and certain assets relating thereto, for $141,000,000 cash. The sale resulted in a net gain of $44,149,000 after deducting income taxes of $58,400,000. Revenues and net income related to these operations amounted to $34,926,000 and $1,565,000, respectively, in the year ended December 31, 1977. The results of operations and the net gain on disposition are reflected as discontinued operations.

14. Legal Proceedings and Contingent Liabilities

The Company is a defendant in two actions brought in 1978 resulting from the collapse of the Franklin National Bank (FNB) in 1974, one brought by the Federal Deposit Insurance Corporation as receiver of FNB, and the other by the Trustee in Bankruptcy of Franklin New York Corporation (FNYC), FNB's parent. These actions seek damages ranging from $45 million to unspecified amounts relating to alleged breach of fiduciary duties in connection with sale by the Company in 1972 of one million shares of common stock of FNYC to Fasco International Holding, S.A. (Fasco), a company then controlled by Michele Sindona, and alleged facilitation of transfer to Sindona of management control over FNB

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resulting in substantial damage to FNB. The Company is also a defendant in an action commenced by Sindona in 1978 seeking compensatory damages of $40,400,000 or rescission of the sale of FNYC shares to Fasco, and punitive damages of $80 million, for alleged fraud in connection with such sale.

Pending litigation also includes other civil and antitrust actions for damages.

Because of the nature of litigation, it is not possible to predict the outcome of these actions; however, on the basis of the facts presently known to it, Management does not believe that the actions will have a material adverse effect upon the financial condition of the Company. Should additional facts arise in the future indicating a probable adverse determination of any such actions, such ultimate determination might have a material adverse effect upon the Company's results of operations in any one year.

15. Supplementary Income Statement Information

The following tabulation summarizes the supplementary income statement information for the years indicated:

	Years Ended December 31,	
	1978	1977
Maintenance and repairs	$ 16,347,000	$ 18,736,000
Depreciation and amortization of property, plant and equipment	$ 11,722,000	$ 10,096,000
Amortization of intangible assets	$ 1,179,000	$ 550,000
Taxes, other than income taxes:		
Excise	$217,715,000	$210,868,000
Real estate and personal property	5,093,000	6,438,000
Payroll	8,248,000	7,987,000
Other	1,661,000	1,878,000
Total	$232,717,000	$227,171,000
Rents	$ 10,073,000	$ 9,982,000
Advertising costs	$ 75,910,000	$ 65,776,000

16. Quarterly Financial Data (Unaudited)

	1978 Quarter Ended				1977 Quarter Ended			
	March 31	June 30	September 30	December 31	March 31	June 30	September 30	December 31
	(Amounts in thousands)							
Total revenues	$223,493	$258,558	$246,163	$250,901	$204,017	$227,075	$238,987	$223,230
Income from continuing operations*	9,630	13,274	16,799	19,473	9,039	9,669	10,010	12,406
Income before realized gains (losses)*	9,630	13,274	16,799	19,473	9,277	55,145	10,010	12,406
Net income*	10,833	20,460	19,321	20,053	13,421	55,122	15,373	13,563

* Includes unrealized losses on translation of foreign currencies relating to long-term liabilities arising from capitalization of foreign leases (see Note 1—"Translation of foreign currency") of $324, $117, $1,027, $957, $65, $120, $108 and $603, for the respective periods.

92750717

17. Current Replacement Cost Information (Unaudited)

The following information is being presented in conformity with the Securities and Exchange Commission (SEC) Accounting Series Release No. 190. Management is of the opinion that this information is theoretical and, therefore, not meaningful in evaluating the Company's operations. Ideally, if a company of the same size and identical operations were formed today, management of that company might incur the costs presented below. However, the current replacement costs of certain facilities are so high in relation to possible return on investment that management would not replace these facilities with newly constructed ones. Management has continually reviewed and evaluated capital expenditures in light of the return on investment. It has expended funds as necessary for modernization of fixed assets. To consider that all fixed assets would be replaced at any given point in time does not deal with the realities of a going concern, inasmuch as Management's ability to determine the most beneficial replacement program cannot be properly evaluated. In the midst of inflation during 1974, Management determined that a change in inventory methods from the average cost method to the LIFO method should be made in order to properly match revenues and expenses. Therefore, Management has taken the initiative in determining an inventory method that largely discounts inflation in measuring income.

It must be recognized that by their nature, determinations of replacement cost data are estimates and predicated upon certain assumptions and subjective judgments of management, some of which are as follows:

Inventories:

Manufacturing inventories—replacement cost of year-end inventories of leaf tobacco were priced at the then market price of unaged leaf tobacco inventory.

Property, Plant and Equipment:

(a) Hotels—based on various statistical information published on the average cost per room. A review was also made of the cost of construction, based on square footage, in the area where the hotel properties are located.

(b) Theatres—based on various statistical information for the construction and furnishing of theatres.

(c) Manufacturing facilities—based on replacement of existing facilities at the present cost of construction in the areas in which plants are located and on the recent price of new manufacturing equipment which considers new technology.

(d) Other property, plant and equipment—based on various statistical information for construction of commercial buildings and price indices applied to original costs of equipment.

Cost of Sales—cost of sales was determined on the average replacement cost value at time of sale.

Depreciation Expense—depreciation expense was computed on the average useful life of the asset, assuming such replacement cost had been incurred at the time the asset was actually acquired.

Set forth in Exhibit I below is an analysis of Management's estimates of the replacement cost of certain inventories and property, plant and equipment of the Company and its consolidated subsidiaries as of December 31, 1978 and 1977, together with estimates of cost of products sold, and depreciation and amortization on the basis of replacement for the years then ended.

Exhibit II sets forth the comparable related historical cost amounts for these categories as included in the consolidated balance sheets and income statements, and indicates the historical amounts for which replacement cost data have and have not been provided.

Both Exhibits I and II have been rounded to the nearest fifty thousand dollars.

92750718

Exhibit I

	December 31,			
	1978		1977	
	Estimated Replacement Cost	Comparable Reported Amounts (Exhibit II)	Estimated Replacement Cost	Comparable Reported Amounts (Exhibit II)
	(In thousands)			
Replacement Cost Data:				
Inventories:				
Leaf tobacco	$425,050	$283,350	$399,350	$270,400
Manufactured stock	36,250	28,350	31,150	26,250
Materials and supplies	12,600	10,800	13,050	12,250
Total	$473,900	$322,500	$443,550	$308,900
Property, plant and equipment:				
Buildings	$318,900	$138,400	$290,000	$133,950
Machinery and equipment	215,400	94,950	187,650	86,000
Total, at cost	534,300	233,350	477,650	219,950
Less accumulated depreciation and amortization	185,100	70,450	156,700	63,000
Net	$349,200	$162,900	$320,950	$156,950
Cost of products sold	$534,650	$532,800	$503,400	$501,650
Depreciation and amortization	$ 25,350	$ 11,250	$ 18,300	$ 9,500

Exhibit II

Historical Cost Amounts For Which Replacement Cost Data Have Been Provided:

	Inventories	Property Plant and Equipment	Accumulated Depreciation and Amortization	Cost of Products Sold	Depreciation and Amortization
	(In thousands) December 31, 1978				
Amounts as shown in the accompanying consolidated financial statements	$322,500	$263,750	$71,850	$532,800	$12,900
Less items for which replacement cost data are not required:					
Land, leasehold improvements and amortization of cost in excess of net assets acquired		30,400	1,400		1,650
Comparable reported amounts (Exhibit I)	$322,500	$233,350	$70,450	$532,800	$11,250
	December 31, 1977				
Amounts as shown in the accompanying consolidated financial statements	$308,900	$253,100	$68,000	$501,650	$10,650
Less items for which replacement cost data are not required:					
Land, leasehold improvements and amortization of cost in excess of net assets acquired		33,150	5,000		1,150
Comparable reported amounts (Exhibit I)	$308,900	$219,950	$63,000	$501,650	$ 9,500

92750719

SCHEDULE I

LOEW'S THEATRES, INC. AND SUBSIDIARIES

MARKETABLE SECURITIES

December 31, 1978

Column A Name of Issuer and Title of Each Issue	Column B Number of Shares or Units—Principal Amount of Bonds And Notes	Column C Amount at Which Shown in the Balance Sheet	Column D Value Based on Market Quotation at Balance Sheet Date
CORPORATE STOCKS CARRIED AT COST:			
Allegheny Power System Inc.	50,000	$ 884,000	$ 775,000
American Stores Co.	138,700	2,105,000	4,508,000
American Telephone & Telegraph Co.	179,400	10,813,000	10,854,000
Amstar Corp.	32,000	459,000	512,000
Bank of New York Co., Inc.	23,000	742,000	762,000
Bankers Trust New York Corp.	34,900	1,222,000	1,160,000
Buffelsfontein Gold Mining Co.	9,000	100,000	98,000
Burlington Industries, Inc.	623,300	10,698,000	10,605,000
C.I.T. Financial Corp.	235,300	7,469,000	7,398,000
Central Hudson Gas & Electric Co.	23,100	487,000	459,000
Chase Manhattan Corp.	161,300	4,875,000	4,753,000
Chemical New York Corp.	47,000	1,777,000	1,757,000
Commonwealth Edison Co.	54,500	1,365,000	1,403,000
Consolidated Edison Co. of New York	67,600	1,567,000	1,563,000
Continental Telephone Corp.	120,900	1,836,000	1,738,000
Doornfontein Gold Mining Co. Ltd.	20,000	71,000	62,000
East Driefontein Gold Mining Co. Ltd.	52,000	477,000	474,000
Exxon Corp.	35,000	1,595,000	1,719,000
FDS Holding Co.	119,800	3,281,000	3,085,000
Free State Geduld Mines Ltd.	44,000	856,000	853,000
GATX Corp.	423,600	10,967,000	10,166,000
General Telephone & Electronics Corp.	35,000	983,000	993,000
Goodrich (B.F.) Co.	375,000	6,298,000	6,516,000
Great Northern Nekoosa Corp.	307,300	7,557,000	9,334,000
Gulf Oil Corp.	954,000	23,674,000	22,300,000
Harmony Gold Mining Co. Ltd.	10,000	42,000	41,000
Hawaiian Electric Co. Inc.	4,900	123,000	127,000
Heller (Walter E.) Int'l. Corp.	100,000	1,698,000	1,650,000
Indianapolis Power & Light Co.	29,000	482,000	645,000
International Minerals & Chemical Corp.	50,000	1,772,000	1,769,000
Kloof Gold Mining Co. Ltd.	45,000	321,000	304,000
Levitz Furniture Corp.	12,000	216,000	222,000
Lomas & Nettleton Mortgage Inv.	37,400	629,000	575,000
Long Island Lighting Co.	60,478	729,000	1,043,000
Macy (R.H.) & Co. Inc.	15,200	529,000	543,000
Manufacturers Hanover Corp.	176,600	5,816,000	5,695,000
Marine Midland Banks, Inc.	82,100	1,238,000	1,232,000
Mobil Corp.	28,700	1,910,000	1,991,000
National Gypsum Co.	38,100	632,000	591,000
New England Electric System	59,600	1,401,000	1,266,000
Norlin Corp.	45,000	1,021,000	894,000
Northern Natural Gas Co.	101,000	3,601,000	3,497,000
Northwest Industries, Inc.	165,700	4,439,000	4,474,000
Orion Capital Corp.	49,310	224,000	374,000
Total carried forward		128,981,000	130,780,000

92750720

SCHEDULE I
(continued)

LOEW'S THEATRES, INC. AND SUBSIDIARIES

MARKETABLE SECURITIES

December 31, 1978

Column A Name of Issuer and Title of Each Issue	Column B Number of Shares or Units—Principal Amount of Bonds And Notes	Column C Amount at Which Shown in the Balance Sheet	Column D Value Based on Market Quotation at Balance Sheet Date
Total brought forward		$128,981,000	$130,780,000
Pacific Petroleums Ltd.	26,400	1,361,000	1,379,000
President Steyn Gold Mining Co. Ltd.	10,000	91,000	90,000
Randfontein Estates Gold Mining	2,500	101,000	99,000
Reliance Group Inc. ($2.60 Cumulative Preferred Series C)	163,200	1,726,000	3,917,000
Rochester Gas & Electric Corp.	58,881	1,055,000	1,060,000
Salant Corp.	139,050	1,050,000	800,000
Shell Oil Co.	51,400	1,664,000	1,651,000
Southern Indiana Gas & Electric Co.	32,200	559,000	584,000
Southvaal Holdings Ltd.	45,000	277,000	270,000
Stevens (J.P.) & Co. Inc.	641,630	8,272,000	8,903,000
Stride Rite Corp.	12,500	163,000	181,000
Texaco, Inc.	200,000	4,617,000	4,775,000
Tosco Corp. Unregistered	942,034	2,355,000	5,652,000
Trans Union Corp.	198,000	5,891,000	5,943,000
Tucson Gas & Electric Co.	60,000	694,000	938,000
Union Oil Co. of California	37,600	1,901,000	2,138,000
USLife Corp.	53,000	773,000	1,007,000
Vaal Reefs Exploration & Mining Co. Ltd.	30,000	552,000	551,000
Velcro Industries, N.V.	50,000	306,000	394,000
West Driefontein Gold Mining Co.	18,500	581,000	564,000
Western Deep Levels Ltd.	32,500	348,000	349,000
Western Holdings Ltd.	11,500	258,000	262,000
Wheeling-Pittsburgh Steel Corp.	927,000	17,150,000	9,733,000
Zale Corp.	83,500	1,354,000	1,336,000
Total		182,080,000	183,356,000
CORPORATE BONDS:			
Lehigh Valley R.R. 4% 5-1-03 Series A	$ 222,000	91,000	91,000
Lehigh Valley R.R. 4% 5-1-03 Series D	$ 727,000	298,000	298,000
Lehigh Valley R.R. 4½% 5-1-03 Series B	$ 149,000	61,000	62,000
Lehigh Valley R.R. 4½% 5-1-03 Series E	$ 305,000	125,000	127,000
Lehigh Valley R.R. 5% 5-1-03 Series C	$ 137,000	56,000	60,000
Lehigh Valley R.R. 5% 5-1-03 Series F	$ 360,000	148,000	158,000
Michigan Cent RR 4½% 1-1-79 Ref & Impt	$ 60,000	78,000	86,000
Pennzoil La Tex Offshore 6% 5-1-79	$2,000,000	1,936,000	1,930,000
Pittsburgh, Cincinnati, Chicago, St. Louis 5%	$ 800,000	130,000	560,000
Pittsburgh, Cincinnati, Chicago, St. Louis 3⅜%	$1,700,000	251,000	1,071,000
Reliance Group, Inc. 9⅞% 6-1-99 Sub. Deb.	$8,948,800	5,817,000	7,875,000
Total		8,991,000	12,318,000
Fourteen Other Securities Carried at Cost		3,843,000	4,126,000
Total Investments in Securities		$194,914,000	$199,800,000

92750721

SCHEDULE V

LOEW'S THEATRES, INC. AND SUBSIDIARIES

PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes Add(Deduct)	Balance at End of Period
For the Year Ended December 31, 1978					
Land	$ 26,120,000		$ 1,647,000		$ 24,473,000
Buildings and building equipment	133,964,000	$ 6,180,000	1,731,000		138,413,000
Machinery and equipment	86,007,000	14,472,000	5,549,000		94,930,000
Leaseholds and leasehold improvements	6,984,000	2,153,000	3,214,000		5,923,000
Total	$253,075,000	$22,805,000	$12,141,000		$263,739,000
For the Year Ended December 31, 1977					
Land	$ 33,218,000		$ 3,098,000	$ (4,000,000)(2)	$ 26,120,000
Buildings and building equipment	167,325,000	$ 1,349,000	8,044,000	(22,600,000)(2) (4,066,000)(3)	133,964,000
Machinery and equipment	84,021,000	9,083,000	3,246,000	(7,917,000)(2) 4,066,000 (3)	86,007,000
Leaseholds and leasehold improvements	7,050,000	197,000	14,000	(249,000)(1)	6,984,000
Total	$291,614,000	$10,629,000	$14,402,000	$(34,766,000)	$253,075,000

NOTES:

(1) Amortization credited directly to asset account. See Note (2) to Schedule VI.

(2) Transferred, by way of dividend, to the parent company. See Note 2 to consolidated financial statements.

(3) Reclassification.

92750722

SCHEDULE VI

LOEW'S THEATRES, INC. AND SUBSIDIARIES

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C	Column D	Column E	Column F
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes Add (Deduct)	Balance at End of Period
For the Year Ended December 31, 1978					
Buildings and building equipment	$38,058,000	$ 3,948,000	$ 1,102,000		$40,904,000
Machinery and equipment	26,133,000	7,342,000	3,977,000		29,498,000
Leaseholds and leasehold improvements	3,817,000	427,000	2,799,000		1,445,000
Total	$68,008,000	$11,717,000(1)	$ 7,878,000		$71,847,000
For the Year Ended December 31, 1977					
Buildings and building equipment	$54,886,000	$ 3,861,000	$ 8,974,000	$(10,198,000)(3) (1,517,000)(4)	$38,058,000
Machinery and equipment	24,150,000	6,848,000	1,396,000	(4,979,000)(3) (7,000)(4) 1,517,000 (4) 7,000 (4)	26,133,000
Leaseholds and leasehold improvements	3,492,000	292,000		26,000 (4)	3,817,000
Total	$82,528,000	$11,001,000(2)	$10,370,000	$(15,151,000)	$68,008,000

NOTES:

(1) Reconciliation to amount shown on the statement of consolidated income:

Amount charged to costs and expenses as shown above	$11,717,000
Amount charged to costs and expenses for amortization of cost in excess of net assets acquired and of patents and licenses—Schedule VII	1,179,000
Amount charged to costs and expenses—other	5,000
Provisions for depreciation and amortization shown on statement of consolidated income	$12,901,000

(2) Reconciliation to amount shown on the statement of consolidated income:

Amount charged to costs and expenses as shown above	$11,001,000
Amortization directly credited to asset account—Schedule V	249,000
Amount charged to costs and expenses for amortization of patents and licenses—Schedule VII	550,000
Amount charged to costs and expenses—other	(1,154,000)
Provision for depreciation and amortization shown on statement of consolidated income	$10,646,000

(3) Transferred, by way of dividend, to the parent company. See Note 2 to consolidated financial statements.

(4) Reclassification.

92750723

SCHEDULE VII

LOEW'S THEATRES, INC. AND SUBSIDIARIES

INTANGIBLE ASSETS

Column A	Column B	Column C	Column D		Column E	Column F
			Deductions			
Description	Balance at Beginning of Period	Additions at Cost	Charges to Costs and Expenses	Charges to Other Accounts	Other Changes Add (Deduct)	Balance at End of Period
For the Year Ended December 31, 1978						
Cost in excess of net assets acquired(1)	$31,392,000	$4,477,000	$845,000(3)		$(1,720,000)(2) 27,000 (5)	$33,331,000
Trademarks	$92,645,000	$ 35,000	$210,000			$92,470,000
Patents and licenses, less amortization	$ 2,251,000		$334,000(3)			$ 1,917,000
For the Year Ended December 31, 1977						
Cost in excess of net assets acquired(1)	$59,794,000			$26,528,000(4)	$(1,874,000)(2)	$31,392,000
Trademarks	$99,523,000		$265,000	$ 6,613,000(4)		$92,645,000
Patents and licenses, less amortization	$ 6,112,000		$550,000(3)	$ 3,311,000(4)		$ 2,251,000

NOTES:

(1) See Note 1 to consolidated financial statements.

(2) Represents estimated tax benefits realized for the respective year as a result of the liquidation of Lorillard Corporation.

(3) See Notes (1) and (2) to Schedule VI for the respective year.

(4) Sale of international cigarette business. See Note 13 to consolidated financial statements.

(5) Reclassification.

92750724

SCHEDULE XII

LOEW'S THEATRES, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
	For the Year Ended December 31, 1978				
Deducted from assets:					
Allowance for cash discounts	$ 895,000	$16,270,000	$13,000	$16,259,000(1)	$ 919,000
Allowance for doubtful accounts	5,447,000	637,000	31,000	2,051,000(2)	4,064,000
Total	$6,342,000	$16,907,000	$44,000	$18,310,000	$4,983,000
Allowance for discounts on mortgages and notes receivable	$1,339,000	$ 935,000			$2,274,000
Allowance for doubtful accounts on other receivables	$ 548,000	$ 200,000			$ 748,000
Other:					
Accrued employee benefits	$4,926,000	$ 5,803,000		$ 6,435,000(3)	$4,294,000
	For the Year Ended December 31, 1977				
Deducted from assets:					
Allowance for cash discounts	$ 500,000	$24,146,000		$23,751,000(1)	$ 895,000
Allowance for doubtful accounts	2,525,000	3,642,000	$97,000	817,000(2)	5,447,000
Total	$3,025,000	$27,788,000	$97,000	$24,568,000	$6,342,000
Allowance for discounts on mortgages and notes receivable	$ 400,000	$ 1,339,000		$ 400,000	$1,339,000
Allowance for doubtful accounts on other receivables	$ 561,000			$ 13,000	$ 548,000
Other:					
Accrued employee benefits	$5,434,000	$ 4,865,000		$ 5,373,000(3)	$4,926,000

NOTES:

(1) Discounts allowed.

(2) Accounts written off and collection fees incurred.

(3) Payments of employee benefits.

92750725

SCHEDULE XIII

LOEW'S THEATRES, INC. AND SUBSIDIARIES

CAPITAL SHARES

December 31, 1978

Column A	Column B	Column C	Column D		Column E		Column F		Column G	
			Number of Shares Included in Column C Which are		Shares Issued or Outstanding as Shown on or Included in Related Balance Sheet Under Caption "Capital Shares"		Number of Shares Held by Affiliates for Which Statements are Filed Herewith		Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	
Name of Issuer and Title of Issue	Number of Shares Authorized by Charter	Number of Shares Issued and Not Retired or Cancelled	Held by or for Account of Issuer Thereof	Not Held by or for Account of Issuer Thereof	Number	Amount at Which Shown	Persons Included in Consolidated Statements	Others	Directors, Officers and Employees	Others
Loew's Theatres, Inc. common stock, par value $1	100	100	None	100	100	None	None	None	None	None
Minority interest: Hawthorne Amusement Corporation, capital stock, par value $100	100	100	None	100	33⅓	$3,000(1)	66⅔	None	None	None

NOTES:

(1) Included in "deferred credits and other noncurrent liabilities" in the consolidated balance sheet.

(2) Information with respect to the capital shares of other consolidated subsidiaries is omitted as all the outstanding capital shares of such subsidiaries are owned by the Company and the answer to Column G would be "None".

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SCHEDULE XIV

LOEW'S THEATRES, INC. AND SUBSIDIARIES

WARRANTS

December 31, 1978

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Title of Issue of Securities Called for by Warrants	Amount of Securities Called for by Each Warrant	Number of Warrants Outstanding	Aggregate Amount of Securities Called for by Warrants Outstanding	Date From Which Warrants are Exercisable	Expiration Date of Warrants	Price at Which Warrants Exercisable
Loews Corporation—common stock, $1 par value	1	5,865,000	5,865,000	November 30, 1968	November 29, 1980	(Note)

NOTE—Warrants are exercisable at a price of $40.00 per share through November 29, 1980 (see Note 8 to consolidated financial statements).

92750727

SCHEDULE XIV

LOEW'S THEATRES, INC. AND SUBSIDIARIES

WARRANTS

December 31, 1978

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Title of Issue of Securities Called for by Warrants	Amount of Securities Called for by Each Warrant	Number of Warrants Outstanding	Aggregate Amount of Securities Called for by Warrants Outstanding	Date From Which Warrants are Exercisable	Expiration Date of Warrants	Price at Which Warran. Exercisable
Loews Corporation—common stock, $1 par value	1	5,865,000	5,865,000	November 30, 1968	November 29, 1980	(Note)

NOTE—Warrants are exercisable at a price of $40.00 per share through November 29, 1980 (see Note 8 to consolidated financial statements).

92750727

IN THE CIRCUIT COURT OF THE FIFTEENTH JUDICIAL CIRCUIT, IN AND FOR PALM BEACH COUNTY, FLORIDA

CASE NO.: CL 95-1466 AH

THE STATE OF FLORIDA, et al.,

Plaintiff(s),

vs.

THE AMERICAN TOBACCO COMPANY, et al.,

Defendant(s).
_____/

SEP 19 1996

ORDER GRANTING, IN PART, DEFENDANTS' MOTIONS TO DISMISS; ORDER DENYING, IN PART, DEFENDANTS' MOTIONS TO DISMISS; AND ORDER TO PARTIES TO CONDUCT FURTHER MEDIATION

THIS CAUSE came on to be heard before the Court on the 6th day of September, 1996 upon the various Motions to Dismiss filed by Defendants in this cause.

Defendants B.A.T. Industries, PLC; Loews Corporation; and Batus Holdings, Inc., have moved to dismiss the Plaintiffs' Second Amended Complaint by attacking this Court's jurisdiction to proceed in their respective cases. The other Defendants' Motions to Dismiss seek dismissal of the Plaintiffs' Second Amended Complaint for failure to state a proper and permissible cause of action.

Extensive legal memoranda with supporting documents and exhibits have been filed in support of the motions and in opposition thereto. A full day of oral arguments was heard by this Court.

First, this Court must determine what cause of action the State/Plaintiff is permitted to bring in the State of Florida. The Court is aware that many other states have brought actions against some or all of the Defendants enumerated in the Plaintiffs' Second Amended Complaint. However, the

Supreme Court of Florida has given direction to trial courts in this state as to precisely what causes of action the State of Florida may maintain. They are set forth in Agency for Health Care Admin. v. Associated Industries of Florida, Inc., No. 86,213, slip. op. (Fla. June 27, 1996) ("Associated Industries"). It is the Associated Industries case that defines how the State may seek reimbursement for Medicaid payments from third parties in Florida.

It never ceases to amaze the Court how some of the finest lawyers in the land can disagree over the meaning of one Florida Supreme Court opinion. The parties spent a half-day doing just that. The Associated Industries case includes a scholarly historical review followed by specific holdings that control the litigation in this case.

As the Florida Supreme Court stated:

> We now must address the nature of the State's cause of action. We recognize that many aspects of the Act have been challenged on constitutional grounds. However, in view of the numerous theories as to the origin and substance of the State's action, we choose to first define the contours of that action and then evaluate the Act against constitutional standards.
>
> Associated Industries asserts that the State was limited to traditional notions subrogation, assignment, and lien until the legislature amended the Act in 1994, and that, under these traditional theories, the State would be subject to the same legal obstacles that the Medicaid recipient would face in pursuing a claim. Associated Industries contends that it was the 1994 modifications that gave the State an independent cause of action and abrogated the affirmative defenses available to a third-party tort feasor. We agree that it was the 1994 modifications, coupled with the 1990 amendments, that established an independent cause of action. See Associated Industries at pp. 15-16. [Emphasis added.]

There can be absolutely no question that prior to the 1994 law there was no independent cause of action permitting the State to go forward in seeking Medicaid reimbursement. As the Florida Supreme Court stated in Associated Industries:

> Once again, there can be no argument after 1994 that the State's cause of action is derivative in the nature of a subrogation, assignment, or lien. Rather, it is a new, independent cause of action that requires that State to prove: (1) either negligence or a defective

> product; (2) causation; and (3) damages. We have now defined the cause of action as it exists after the 1994 amendments. See Associated Industries at p.19. [Emphasis added.]

The Florida Supreme Court has ruled that before the 1994 law that the State's cause of action was "derivative in the nature of a subrogation, assignment, or lien." Therefore, the Plaintiffs in this cause of action are limited to bringing complaints for negligence and/or defective products in seeking Medicaid reimbursements. By separate actions the State may pursue subrogation, assignment, and/or lien regarding any and all damages occurring prior to the 1994 amendments.

Second, the Florida Supreme Court held in Associated Industries:

> As part of the 1994 amendments to the Act, the legislature enacted a paragraph that allows the State to proceed without identifying each individual recipient of Medicaid payments . . . We find that this portion of the statute does in fact encroach upon due process guarantees of the Florida Constitution under article I, section 9. . . The current Act would prevent a defendant from demonstrating the impropriety of individual payments. Impropriety could be the result of fraud, misdiagnosis of the patient's condition, or unnecessary treatments. The defendant's inability to determine individual Medicaid recipients would also preclude that defendant from proving that its product was never used by the recipient. Hence, the statutory provision results in a conclusive presumption that every Medicaid payment is proper and necessitated by the defendant's product. It is illogical and unreasonable to call this a fair process. A defendant cannot rebut this presumption because there is no mechanism for determining for whom the payments were made . . . See Associated Industries at pp. 29-30. [Emphasis added.]

What the Florida Supreme Court has done in this section of the Associated Industries case is to strike any portion of the 1994 amendments disabling any defendant from questioning the propriety of individual payments. The Florida Supreme Court did not require that identity of recipients of Medicaid payments be plead in the complaint. A specific mechanism to identify must be afforded to the Defendants so a challenge to any improper payments to individuals can be made. The specific mechanism to allow for compliance with this portion of the Florida Supreme Court's opinion in Associated Industries will be set forth below.

Third, the Florida Supreme Court held in Associated Industries:

> . . . Consequently, the State may proceed independently with its new cause of action to recover all payments made after the effective date of the 1994 Act, specifically July 1, 1994. Of course, the State may also pursue claims occurring prior to that date under the 1978 traditional subrogation action. . . See Associated Industries at p.36. [Emphasis added.]

Therefore, in this case the State may pursue only damages for negligence and/or products liability for payments made after the effective date of the 1994 Act, i.e., July 1, 1994. As stated in Associated Industries, the State by separate actions may pursue claims before that date under separate traditional subrogation actions.

Having defined the State's cause of action as set forth in Associated Industries, only Counts One and Two of the Second Amended Complaint are proper causes of action to obtain monetary damages in this case. With one exception all the remaining counts must be dismissed with prejudice. Damages for claims occurring prior to July 1, 1994 must be sought by the Plaintiffs through traditional subrogation actions.

However, Count Eighteen of the Second Amended Complaint is a prayer for injunctive relief. Count Eighteen seeks to protect minors within the State of Florida and seeks, in part, to enjoin violations of the criminal laws of the State of Florida including the distribution and sale of cigarettes to minors under the age of 18. In addition, under Chapter 817, Florida Statutes, injunctive relief is provided for in cases involving fraudulent practices including misleading advertising. Furthermore, in giving the State the widest latitute in pleading a cause of action for injunctive relief, the Court recognizes that the allegations of the Second Amended Complaint may very well describe a public nuisance endangering the health of Florida's citizens, and especially its children. The Florida Supreme Court has held:

> The power of a court of equity to abate a public nuisance where no property rights of the complainant are involved, even in the absence of a statute, we find affirmed . . . See Pompano Horse Club v. State, 111 So. 801 (Fla. 1927) at p.810.

In the aforementioned opinion, the Florida Supreme Court went on to quote a treatise in Equity

Jurisprudence. The importance of the holding goes to the State's ability to maintain Count Eighteen, the Injunction Count:

> . . . 'Therefore, whenever a public nuisance is shown, equity must enjoin it at the suit of the government. Every place where a public statute is openly, publicly, repeatedly, continuously, persistently and intentionally violated is a public nuisance . . .' See Pompano Horse Club at p.810.

The State's Second Amended Complaint asserts, in part, repeated, continuous, persistent and open violations of Florida's public statutes concerning fraudulent practices and sales to minors. Consequently, Count Eighteen stands on its own and separate from the 1994 amendments discussed above.

The Court having ruled that Counts One, Two and Eighteen may stand, and that all remaining counts cannot in this action, the Motions to Dismiss attacking the allegations of the Second Amended Complaint be and the same are hereby GRANTED, IN PART, and DENIED, IN PART. As to Counts One, Two and Eighteen, the Motions to Dismiss attacking the Second Amended Complaint be and the same are hereby DENIED. As to all other remaining counts the Motions to Dismiss be and the same are hereby GRANTED WITH PREJUDICE. However, the Plaintiffs may pursue traditional subrogation in separate actions.

The Court must now turn to the three Motions to Dismiss attacking this Court's jurisdiction over B.A.T. Industries, PLC; Loew's Corporation; and Batus Holdings, Inc. The issue is whether any or all of these three entities can be sued for negligence, products liability, and/or enjoined in this state in this action.

In essence, the question is whether any and/or all of these entities transacted business in Florida during the pertinent times in question or committed the torts of negligence and/or a marketing of allegedly defective products in Florida. The answer in each case is "no."

Whatever allegations the Plaintiffs have made have been controverted by the Defendants in affidavits and/or supporting documentation and evidence shifting to the Plaintiffs the burden of proof by a preponderance of the evidence to support jurisdiction. The burden having been shifted, the State has failed to prove in each of the cases that these three entities have transacted business on a

regular basis in this state or committed any tort in this state. The facts themselves are not substantially in controversy. The question is whether the facts are sufficient by a preponderance of evidence to support the theories of alter-ego, aiding and abetting, agency, and/or "mere instrumentality" regarding the aforementioned torts. None of the required indicators have been proven to this Court's satisfaction. B.A.T. Industries, PLC; Loew's Corporation; and Batus Holdings, Inc., do not market, manufacture, sell, or deliver tobacco products in Florida or place these products in the stream of commerce. These companies are holding companies not actively operating tobacco businesses.

The Court has not even reached the "minimum contacts" considerations required in any analysis if the facts had warranted a finding of the commission of a tort. Almost by definition, this Court's finding that the Plaintiffs have failed to meet their burden to show statutory jurisdictional grounds to maintain actions against these three entities means that there certainly could be no minimum contacts in the State of Florida. Certainly the evidence submitted does not show any sufficient minimum contacts. It is therefore

ORDERED AND ADJUDGED that the jurisdictional Motions to Dismiss filed by B.A.T. Industries, PLC; Loew's Corporation; and Batus Holdings, Inc. be and the same are hereby GRANTED and all three Defendants are DISMISSED from the Second Amended Complaint with Prejudice.

Having found that the Plaintiffs do maintain a viable cause of action in Counts One, Two and Eighteen of the Second Amended Complaint as to the remaining Defendants, the Court must require answers to the Second Amended Complaint to be filed by the remaining Defendants. The Court must also address the issue of the identity of recipients of Medicaid payments. The State cannot proceed without identifying each individual recipient of Medicaid payments. It is therefore

ORDERED AND ADJUDGED that the Plaintiffs provide the identity of each individual recipient of Medicaid payments for which damages will be claimed under the 1994 Act. The State shall file with the Clerk of this Court a list identifying each such individual recipient within thirty days of the entry of this Order and provide a copy of the same list to all remaining Defendants at the time of said filing. It is further

ORDERED AND ADJUDGED that within twenty days of the filing of the aforementioned list each Defendant remaining in this cause of action shall answer the State's Second Amended Complaint as toCounts One, Two and Eighteen.

The Court has also been in receipt of the Mediator's Report in this case which has been filed in the official Court file. Without referencing any details, the Mediator has indicated that further mediation might be fruitful in this case. Now that the Court has ruled as stated in this Order the Court directs further mediation. It is therefore

ORDERED AND ADJUDGED that all remaining parties in this cause of action shall submit to Mediation with the Court Mediator in this case for a second session to mediate in good-faith, said session to commence no later than sixty days from the entry of this Court Order. It is further

ORDERED AND ADJUDGED that the Special Master previously appointed in this case may now proceed to hear all outstanding discovery matters relevant to the remaining three counts in this cause, i.e., negligence, products liability, and those issues pertinent to the issuance of injunctive relief set forth in Count Eighteen. It is further

ORDERED AND ADJUDGED that this Court shall not entertain Motions to Rehear and/or Reconsider matters relating to the Motions to Dismiss set forth in this Order having had a full day of oral arguments and extensive legal memoranda submitted on these issues.

Once again all parties and the Special Master are reminded that in conducting discovery and other hearings in this case that this Court fully intends to abide by its Order Setting Trial to commence on August 4, 1997.

DONE AND ORDERED in Chambers in West Palm Beach, Palm Beach County, Florida on this 16th day of September, 1996.

SIGNED AND DATED

SEP 16 1996

Harold J. Cohen
Circuit Court Judge

HAROLD J. COHEN
CIRCUIT COURT JUDGE

IN THE CIRCUIT COURT OF THE FIFTEENTH
JUDICIAL CIRCUIT IN AND FOR THE COUNTY
OF PALM BEACH, STATE OF FLORIDA

----------x

THE STATE OF FLORIDA, LAWTON M. CHILES, JR., Individually and as GOVERNOR OF THE STATE OF FLORIDA, DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION, and THE AGENCY FOR HEALTH CARE ADMINISTRATION,

Plaintiffs,

- against -

Case Number:
CL 95 1466 AO

THE AMERICAN TOBACCO COMPANY; REYNOLDS TOBACCO COMPANY; RJR NABISCO, INC.; B.A.T. INDUSTRIES, PLC; BATUS HOLDINGS, INC.; BROWN & WILLIAMSON TOBACCO CORPORATION; PHILIP MORRIS COMPANIES, INC.; PHILIP MORRIS INCORPORATED (PHILIP MORRIS U.S.A.); LIGGETT GROUP, INC.; LIGGETT & MYERS INC.; BROOKE GROUP LIMITED; THE BROOKE GROUP LTD., INC.; LOEWS CORPORATION; LORILLARD CORPORATION; UNITED STATES TOBACCO COMPANY; UST INC.; THE COUNCIL FOR TOBACCO RESEARCH-U.S.A., INC., (SUCCESSOR TO TOBACCO INSTITUTE RESEARCH COMMITTEE); THE TOBACCO INSTITUTE, INC.; HILL & KNOWLTON, INC.; BRITISH AMERICAN TOBACCO CO., LTD.; and DOSAL TOBACCO CORP., INC.,

Defendants.

----------x

DEPOSITION of JAMES TISCH, held at the offices of Wachtell, Lipton, Rosen & Katz, Esqs., 51 West 52nd Street, New York, New York 10019-6618, on the 5th day of August 1996, commencing at 10:10 a.m., before Colette Cantoni, a Registered Professional Reporter and Notary Public of the State of New York, pursuant to Notice.

IN THE CIRCUIT COURT OF THE FIFTEENTH JUDICIAL CIRCUIT IN AND FOR THE COUNTY OF PALM BEACH, STATE OF FLORIDA

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THE STATE OF FLORIDA, LAWTON M. CHILES, JR., Individually and as GOVERNOR OF THE STATE OF FLORIDA, DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION, and THE AGENCY FOR HEALTH CARE ADMINISTRATION,

Plaintiffs,

- against -

Case Number: CL 95 1466 AO

THE AMERICAN TOBACCO COMPANY; REYNOLDS TOBACCO COMPANY; RJR NABISCO, INC.; B.A.T. INDUSTRIES, PLC; BATUS HOLDINGS, INC., BROWN & WILLIAMSON TOBACCO CORPORATION, PHILIP MORRIS COMPANIES, INC.; PHILIP MORRIS INCORPORATED (PHILIP MORRIS U.S.A.); LIGGETT GROUP, INC.; LIGGETT & MYERS INC.; BROOKE GROUP, LIMITED; THE BROOKE GROUP LTD., INC.; LOEWS CORPORATION; LORILLARD CORPORATION; UNITED STATES TOBACCO COMPANY; UST INC.; THE COUNCIL FOR TOBACCO RESEARCH-U.S.A., INC., (SUCCESSOR TO TOBACCO INSTITUTE RESEARCH COMMITTEE); THE TOBACCO INSTITUTE, INC.; HILL & KNOWLTON, INC.; BRITISH AMERICAN TOBACCO CO., LTD.; and DOSAL TOBACCO CORP., INC.,

Defendants.

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DEPOSITION of LAURENCE TISCH, held at the offices of Wachtell, Lipton, Rosen & Katz, Esqs., 51 West 52nd Street, New York, New York 10019-6618, on the 2nd day of August 1996, commencing at 10:20 a.m., before Colette Cantoni, a Registered Professional Reporter and Notary Public of the State of New York, pursuant to Notice.

Mr. Wachtell.

MR. WACHTELL: Okay.

A Let me explain how we're organized.

Loews is set up as a holding company. The management of Loews and the board of Loews makes sure -- installs into place chief executives in each one of our subsidiaries to manage those businesses.

I, in my role as president of Loews, will talk to those chief executives from time to time and monitor the status of those businesses. But those businesses and those chief executives -- those chief executives run their own businesses subject to their boards.

The Loews management would no sooner tell Lorillard how to market Newport cigarettes or where to offer coupons, and likewise we don't tell CNA where to sell Workers' Comp insurance or how to market their medical malpractice insurance.

We let those businesses run themselves, and we monitor them and make sure that the individuals that are running those businesses are capable of doing so in a very competent manner.

The board of Loews on a regular basis listens to the reports of the results of those

A Correct.

Q And it may be the problem, is that the CEO of that company has got some personal problems and they have fallen off the deep end and they are not doing their job. So at that point you would have discussions with the CEOs of Loews Corporation?

A Oh, okay.

Q Yes.

A With Larry Tisch and Bob Tisch.

Q Then a decision would be made, we've got to dump this guy because it's hurting the company?

A With all --

MR. LONG: I am going to object to the form of the question before he answers. Go ahead.

A It would be done by means of working through the board. Yes. We might -- we, Larry, Bob and myself, might come to that conclusion, but that would be a decision ultimately for the board of that subsidiary to resolve.

Q But you-all come to that conclusion, and you make it happen?

MR. LONG: Objection. That's not what he said.

MR. MAHER: I am asking the question.

statement, Exhibit 1 of the 1994 annual report, contains virtually three full pages of typed description of tobacco litigation.

Is there within the Loews Corporation board a committee that deals with tobacco and health issues, including litigation?

A No.

Q Is there a committee within the Loews board that deals with tobacco and health matters?

A No.

Q Is there a committee within Loews Corporation composed of officers or upper management that deals with tobacco and health issues?

A No.

Q Is there anybody at Loews Corporation who deals with tobacco and health issues?

A Specifically?

Q Yes, sir.

A No.

Q Tobacco litigation issues specifically?

A No.

Q Advertising of cigarette products specifically?

A No.

Tisch

Q Any advertising consulting services in the service entity that we were talking about earlier that your son has some overall supervisory responsibility for?

A I don't know of any tobacco -- any advertising advisors in the service.

Q How is it that note 18 came, the language came to be placed in the consolidated financial statements?

A I think that was required for the financial statements to put in all pertinent data regarding litigation.

Q Do you know who prepared note 18?

A I would think the general counsel.

Q Was it subject to be approved by the board?

A I think all of the information in the annual report is sent to the board members in advance of printing.

Q In 1996 how many times has the board of Loews met?

MR. WACHTELL: Again, I am going to note an objection that I think you are beyond the relevant time frame, Ron.

would answer. But primarily I would think Barry Hirsch, who is general counsel, if it was a legal question, Barry Hirsch is general counsel of the holding company. I think he would speak to the subject.

Q Is Mr. Hirsch a full-time employee of Loews Corporation, the holding company?

A Yes.

Q Was he formerly associated with any law firm, to your knowledge?

A Yes.

Q Which one?

A I don't remember the name of the firm.

MR. WACHTELL: Siligson & Morris.

A But he has been with Loews for many, many years.

Q Is there any committee within Loews, of any kind, that would report to the board or to Mr. Hirsch, to your knowledge, not exclusively with reference to tobacco and health, but whose reporting requirements included tobacco and health?

A No.

Q Does Lorillard Corporation, the entity known as Lorillard, report to Loews Corporation

have been talking about. I am trying to draw an analogy between the hotel and his comments earlier about the recommendation they could make in the same scenario with Lorillard and a new cigarette project that was equally expensive.

Q Do you understand what I am saying?

A It is so hypothetical, I mean it is so impractical, the question.

Q Okay. Let's do it this way. Has Lorillard ever reported and asked for suggestions or recommendations to the Loews board on the development of an expensive new brand of cigarette?

A No.

Q Specific to the cigarette True, has any Lorillard official reported to the Loews board or its predecessor, the holding company, the development of the True cigarette?

A To the board? No.

Q To you?

MR. WACHTELL: What does reported mean? Hear anything about it directly or indirectly?

Q How about heard on the street that Lorillard was going to do it? What do you think about that?

for Tobacco Research?

A Over the years Lorillard has always had an excellent management that runs Lorillard very responsibly. And while Loews could make recommendations, I don't recall making any recommendations of that type, because the management was a very responsible, honorable group of people.

Q Did the Loews board ever assert any influence over any involvement of Lorillard with the Council for Tobacco Research, or its predecessor?

A None that I can recall.

Q Same question, Tobacco Institute?

A None that I can recall.

Q Did Lorillard report specifically to the Loews board in regard to any tax credits, allowances, or deductions taken by Lorillard in connection with funds that were given to CTR to be distributed in the form of grants and aid to medical researchers?

A I don't recall any specific discussion of that.

Q In budget meetings did Lorillard officials report to the Loews board that certain tax deductions, credits, or however you want to describe

Loews Theatres, in the seventies -- and I don't know when the date stopped, but if you know you can help me with that. Can you tell me when --

A No.

Q -- when it switched?

A No, I can't.

Q When it was a division was it more closely managed by -- was it managed in any fashion by Loews, the holding entity?

A I don't think so.

Q When it was a division there was no supervision by Loews of the day-to-day management decisions?

A No. There was a chief executive at Lorillard. And Lorillard, as I say, had a group of executives that ran Lorillard.

Q How often would you in the seventies receive information about any tobacco and health research Lorillard was either conducting in-house, conducting through the Council for Tobacco Research funding, or actually conducting itself by retaining consultants?

A Lorillard ran its own business. They had a competent group of people there. And I was not

consulted on the way they ran their business or what they did in their business. And I don't -- I wasn't consulted on research or expenditures for research or anything like that.

Q You are not saying you didn't receive reports?

A No. In connection with our budget meeting there would be in the budget a research number.

Q Would you receive reports from time to time of the research results?

A I don't recall receiving any.

Q Did you receive reports or correspondence in regard to the National Cancer Institute and any research they may be conducting on smoking and health?

A Receive it from Lorillard?

Q Yes, sir.

A I don't recall that.

Q Over the past 20 years, let's say from 1975 to 1995, how many CEOs ran Lorillard?

A Curt Judge. Bob Ave. Andrew Tisch. And Dr. Spears.

Q Mr. Judge is retired in my home county.

go to the board of that subsidiary and ask the board to change what's going on. And if the board doesn't change what's going on, then in a theoretical sense we have the power to vote in a new board that will implement actions or policies that we would like them to.

Q Is that the same power that is enjoyed by any shareholder, group of shareholders who have voting control over any corporation?

A I think so, for sure.

Q Has --

MR. MAHER: Object to the form of that question.

MR. WACHTELL: You are supposed to object before he answers, but that's okay, your objection -- I don't --

MR. MAHER: Thank you.

MR. WACHTELL: -- I don't think it is waived.

Q Has Loews ever had occasion to exercise that power with respect to any of its subsidiaries?

A Never.

Q Does Loews direct the day-to-day business of Lorillard's tobacco?

A In no way.

MR. MAHER: Object to the form.

Q Does Loews direct the day-to-day business of any of its subsidiaries?

MR. MAHER: Object to form.

A No, we don't. We don't have nearly enough people or time in the day to do something like that.

Q Mr. Maher has showed you an annual report by Loews that has sections with respect to each of the subsidiaries.

MR. WACHTELL: Can we put this in front of you?

MR. MAHER: Sure.

MR. WACHTELL: I think it was marked on Friday as Exhibit -- 1?

MR. MAHER: Yes (handing).

MR. WACHTELL: Thank you.

MR. MAHER: It is the first document.

Q This annual report is a statement by Loews; is that correct?

A It is an annual report of Loews. Yes.

Q And the co-chair letter up front which has the different sections that Mr. Maher has been

time that things weren't going as well as they would like.

Q Do you know who -- did the Loews board determine that Mr. Andrew Tisch had become CEO of Lorillard?

A I don't know how it happened. It was just -- I think it was a joint decision that Andrew would do a good job as CEO of Lorillard.

Q As majority, indeed sole stockholder of Lorillard, do you deem that Loews is entitled to make suggestions as to matters that may be of moment to Lorillard?

A Yes.

Q Who runs the business of Lorillard?

A The Lorillard board and the Lorillard management.

MR. WACHTELL: No further questions.

MR. MOTLEY: Thank you, Mr. Tisch, for your patience.

THE WITNESS: My pleasure.

MR. MOTLEY: Good to meet you, sir.

THE WITNESS: Good to see you.

(Time noted: 3:55 p.m.)

IN THE DISTRICT COURT OF CLEVELAND COUNTY
STATE OF OKLAHOMA

STATE OF OKLAHOMA, et al.,	)	
	)	
Plaintiffs,	)	
	)	
vs.	)	Case No. CJ-96-1499-L
	)	
R.J. REYNOLDS, et al.,	)	
	)	
Defendants.	)	

AFFIDAVIT

STATE OF NEW YORK)
) ss
COUNTY OF NEW YORK)

Mark S. Schwartz, having been first duly sworn says:

1. I am Assistant Controller of LOEWS CORPORATION. I have been employed by Loews Corporation since 1987. The following facts are stated, under oath, upon personal knowledge based on my tenure with Loews Corporation since 1987, and upon my review of the relevant books and records and investigation of these matters.

2. Loews Corporation and its indirect subsidiary Lorillard Tobacco Company maintain separate and distinct bank accounts, check books, investments and financial records. Lorillard, Inc. prepares its own set of financial statements which include Lorillard Tobacco Company as well as its other subsidiaries. These financial statements, which are audited and reported upon by independent certified public accountants, are separate from the financial reports of Loews Corporation. As required by Securities and Exchange Commission regulations and generally

accepted accounting principles, the financial statements of Loews Corporation and all of its subsidiaries, including Lorillard, Inc. and Lorillard Tobacco Company, are reported on a consolidated basis in Loews Corporations' annual reports to the SEC on Form 10-K.

3. Loews Corporation and Lorillard Tobacco Company have separate and independent corporate officers, directors, staffs, employees, principal places of business and corporate letterheads. Loews Corporation and Lorillard Tobacco Company have separate and independent Boards of Directors which each have meetings separate and independent from the Board of Directors of any other corporation.

4. Pursuant to a contractual agreement between Loews Corporation and Lorillard Tobacco Company, Loews Corporation has provided certain administrative services to Lorillard Tobacco Company. Lorillard Tobacco Company has paid Loews Corporation for such services. None of these administrative services relate to the testing, research, dissemination of research results, design, manufacturing, marketing, advertising, distribution or sale of cigarettes or other tobacco products in Oklahoma or anywhere else. Loews Corporation has adopted a pension plan in which certain of its direct and indirect subsidiaries, including Lorillard Tobacco Company, have participated on behalf of their respective eligible employees. Each participating subsidiary contributes to the pension plan on behalf of its employees and pays its share of all costs of the pension plan.

5. Loews Corporation has provided no capital contributions to Lorillard Tobacco Company. On two occasions, in 1991 and 1997, Loews Corporation contributed certain used computer equipment to Lorillard, Inc., which was contributed by Lorillard, Inc. to Lorillard Tobacco

Company. The used computer equipment had a book value of approximately $2 million which amounts to less than one-half of one percent of Lorillard, Inc.'s total assets.

6. Loews Corporation has never borrowed money from or on behalf of Lorillard Tobacco Company, and Loews Corporation has never financed Lorillard Tobacco Company's inventories.

Mark S. Schwartz

Subscribed and sworn to before me, a notary public, this 22nd day of October, 1997.

Notary Public

CAROL DOKTORSKI
NOTARY PUBLIC, State of New York
No. 01-4720614
Qualified in Nassau County
Certificate Filed in New York County
Commission Expires June 30, 1998

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 1990

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From_____to _____

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

667 Madison Avenue, New York, N.Y. 10021-8087
(Address of principal executive offices) (Zip Code)

(212) 545-2000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange
Zero Coupon Convertible Subordinated Notes	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [✓] No [ ]

As at February 28, 1991, 69,916,800 shares of Common Stock of the Registrant were outstanding and the aggregate market value of voting stock held by non-affiliates was approximately $5,293,491,000

Documents Incorporated by Reference:

Portions of the Loews Corporation 1990 Annual Report to Shareholders are incorporated by reference into Parts I and II of this Report. With the exception of those portions which are incorporated by reference in this Annual Report on Form 10-K, the Loews Corporation 1990 Annual Report to Shareholders is not deemed filed as part of this Report.

Portions of the Loews Corporation Notice of Annual Meeting of Stockholders and Proxy Statement dated March 21, 1991 are incorporated by reference into Part III. (Registrant intends to file a definitive proxy statement with the Commission prior to April 30, 1991).

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LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON FORM 10-K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 1990

Item No.		Page No.
	PART I	
1	BUSINESS	2
	CNA Financial Corporation	2
	Lorillard, Inc.	8
	Loews Hotels Holding Corporation	11
	Bulova Corporation	12
	Diamond M Corporation	13
	Other Interests	13
2	PROPERTIES	14
3	LEGAL PROCEEDINGS	14
4	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	16
	EXECUTIVE OFFICERS OF THE REGISTRANT	16
	PART II	
5	MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS	17
6	SELECTED FINANCIAL DATA	17
7	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	17
8	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	17
9	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	17
	PART III	
	Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.	
	PART IV	
14	EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K	17

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PART I

Item 1. Business.

Loews Corporation (hereinafter, together with its subsidiaries, referred to as the "Company" or the "Registrant"), through its subsidiaries, is engaged in the production and sale of cigarettes; the operation of hotels and oil and gas drilling rigs; through its approximately 83% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life); and through its approximately 97% ownership of Bulova Corporation ("Bulova"), the distribution and sale of watches and the production and sale of other timing devices. The Company, through a wholly-owned subsidiary, owns approximately 23% of the outstanding common stock of CBS Inc.

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained in Note 16 to Consolidated Financial Statements of the accompanying 1990 Annual Report to Shareholders.

CNA FINANCIAL CORPORATION

CNA's principal business is insurance. As a multiple-line insurer, CNA underwrites property, casualty, life, and accident and health coverages. CNA's principal market for insurance is the United States. CNA's foreign operations are not significant.

CNA's property and casualty insurance operations are conducted by Continental Casualty Company and its property and casualty insurance affiliates, and its life insurance operations are conducted by Continental Assurance Company and its life insurance affiliates.

The tabular information related to CNA on pages 3 through 6 of this Report is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisition of CNA shares.

PROPERTY AND CASUALTY INSURANCE

CNA's property and casualty insurance operations market commercial and personal lines of property and casualty insurance through independent agents and brokers. Commercial business includes such lines as workers' compensation, general liability, multiple peril, professional and specialty, and reinsurance. Personal lines primarily consist of automobile and homeowners insurance.

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The following table sets forth supplemental data for the property and casualty business:

	Years Ended December 31,		
	1990	1989	1988
	(In millions of dollars)		
Commercial Premiums Earned:			
Workers' compensation	$1,803.8	$1,337.1	$1,148.9
General liability	1,250.7	1,201.4	1,008.3
Professional and specialty	786.3	779.0	850.6
Reinsurance and other	448.2	489.6	523.2
Multiple peril	395.2	380.0	387.3
Accident and health	254.4	214.3	177.0
	$4,938.6	$4,401.4	$4,095.3
Personal Premiums Earned:			
Private passenger	$ 354.6	$ 334.6	$ 305.8
Personal property and excess	363.6	272.3	209.4
Accident and health	72.5	56.7	57.8
	$ 790.7	$ 663.6	$ 573.0
Involuntary Risks Premiums Earned (a):			
Workers' compensation	$ 448.4	$ 219.0	226.6
Private passenger	65.8	65.4	55.6
Commercial passenger	48.1	41.2	36.6
Property and multiple peril	5.0	5.1	5.1
	$ 567.3	$ 330.7	$ 323.9
Net Investment Income and Other Income:			
Commercial	$1,059.0	$ 930.3	$ 795.6
Personal	137.3	121.2	102.3
Involuntary risks	58.7	42.7	29.3
	$1,255.0	$1,094.2	$ 927.2
Other Data (b):			
Statutory capital and surplus	$3,146.9	$3,117.6	$2,685.7
Written to surplus ratio	2.0	1.8	1.9
Trade Ratios (b)(c):			
Loss ratio	88.3%	88.7%	81.8%
Expense ratio	24.6%	24.9%	24.1%
Combined ratio (before policyholder dividends)	112.9%	113.6%	105.9%
Policyholder dividend ratio	2.1%	2.4%	2.9%

(a) Property and casualty involuntary risks include mandatory participations in residual markets, statutory assessments for insolvencies of other insurers and other involuntary charges. CNA's share of involuntary risks is generally a function of its share of the voluntary market, by line of insurance, in each state.

(b) Other Data and Trade Ratios are determined on the basis of statutory accounting principles and reflect capital contributions from CNA of $120.0, $200.0 and $100.0 million in 1990, 1989 and 1988, respectively. In addition, in 1989 a $100.0 million dividend was paid to CNA by Continental Casualty Company. Property and casualty insurance subsidiaries have received, or will receive, reimbursement from CNA for general management and administrative expenses in the amounts of $128.1, $115.3 and $101.7 million in 1990, 1989 and 1988, respectively.

(c) Trade Ratios are industry measures of property and casualty underwriting results. The loss ratio is the percentage of the incurred claims and claims adjustment expense to premiums earned. The expense ratio is the percentage of statutory underwriting expenses to premiums written. The combined ratio is the sum of the loss ratio and the expense ratio. The policyholder dividend ratio is the ratio of such dividends incurred to premiums earned.

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Property/Casualty Claims and Claims Expense: Property/Casualty claims and claims expense reserves, except reserves for structured settlements, are based on (a) case basis estimates for losses reported on direct business, adjusted in the aggregate for ultimate loss expectations, (b) estimates of unreported losses based upon past experience, (c) estimates of assumed and ceded insurance, (d) estimates of future expenses to be incurred in settlement of claims and (e) estimates of claim recoveries. Loss reserve calculations are based on quantitative techniques which utilize historical trends to project future payments. Other factors, including mix of business and the anticipated effects of inflation, are implicit in the estimation process. The schedule on page 3 provides information on mix of business.

Structured settlements have been negotiated for claims on certain property/casualty insurance policies. Structured settlements are agreements to provide periodic payments to claimants, which are fixed and determinable as to the amount and time of payment. Certain structured settlements are funded by annuities purchased from Continental Assurance Company, an affiliate. Related annuity obligations are carried in future policy benefits reserves. Obligations for structured settlements not funded by annuities are carried at discounted values which approximate the alternative cost of annuity purchases. Such reserves, discounted at an interest rate of 7.5%, totaled $454, $339 and $221 million at December 31, 1990, 1989 and 1988, respectively. Ultimate payouts under all existing contracts at December 31, 1990 will approximate $1.3 billion.

Claims and claims expense reserves are based on estimates and the ultimate liability may vary from such estimates. Any adjustments that are made to the reserves are reflected in operating income in the year such adjustments are made.

The only difference between the reserve balances reported in the financial statements prepared in accordance with generally accepted accounting principles ("GAAP") and those prepared under statutory accounting practices relates to the treatment of certain salvage and subrogation accruals amounting to $43, $37 and $30 million at December 31, 1990, 1989 and 1988, respectively.

The retention limits of CNA vary by type of coverage and are based on individual risks underwritten. In general, retention limits have been increased with the growth in underwriting capacity. There have been no reinsurance transactions, such as portfolio reserve transfers or swaps of reserves, that have had a material impact on net income.

The table below provides a reconciliation between beginning and ending claims and claims expense reserve balances for 1990, 1989 and 1988. The unfavorable reserve development of the last 3 years is primarily attributable to adverse claim experience under liability coverages. Certain insurance policies are subject to retroactive premium adjustments, based on various factors including loss experience. Such premium adjustments are not reflected in the table below.

Changes in Reserves for Property Casualty Claims and Claims Expense
Years Ended December 31,

	1990	1989	1988
		(In millions)	
Reserves at beginning of year	$11,574	$ 9,814	$8,255
Incurred claims and claims expense:			
Provision for insured events of current year	5,403	4,535	3,975
Increase in provision for insured events of prior years	118	228	89
Amortization of discounts on structured settlements	34	21	15
	5,555	4,784	4,079
Payments:			
Attributable to current year events	1,035	979	740
Attributable to prior year events	2,672	2,042	1,765
Amortization on structured settlements	3	3	15
	3,710	3,024	2,520
Reserves at end of year	$13,419	$11,574	$9,814

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The following table displays the development of financial statement claims and claims expense reserves for 1980 through 1990. In this table, development of reserves is included in each calendar year between the date of loss and the date of reestimation. Therefore, the deficiencies of the original estimates of required reserves that are reflected below are cumulative and should not be summed.

Schedule of Property/Casualty Loss Reserve Development
Years Ended December 31,

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
	(In millions of dollars)										
Reserves for unpaid claims and claims expense	2,416	2,856	3,136	3,475	4,106	5,058	6,435	8,255	9,814	11,574	13,419
Paid (Cumulative) as of:											
One year later	603	869	946	1,075	1,331	1,595	1,337	1,765	2,042	2,672	—
Two years later	1,011	1,305	1,424	1,627	1,939	2,395	2,387	2,966	3,628	—	—
Three years later	1,295	1,622	1,796	2,072	2,499	3,029	3,205	4,040	—	—	—
Four years later	1,529	1,890	2,126	2,478	2,973	3,654	3,976	—	—	—	—
Five years later	1,705	2,094	2,405	2,772	3,420	4,190	—	—	—	—	—
Six years later	1,846	2,291	2,588	3,100	3,783	—	—	—	—	—	—
Seven years later	1,986	2,416	2,816	3,351	—	—	—	—	—	—	—
Eight years later	2,080	2,584	3,009	—	—	—	—	—	—	—	—
Nine years later	2,207	2,741	—	—	—	—	—	—	—	—	—
Ten years later	2,345	—	—	—	—	—	—	—	—	—	—
Reserves Reestimated as of:											
End of current year	2,416	2,856	3,136	3,475	4,106	5,058	6,435	8,255	9,814	11,574	13,419
One year later	2,455	2,893	3,112	3,549	4,181	5,235	6,856	8,344	10,042	11,692	—
Two years later	2,496	2,878	3,185	3,662	4,300	5,767	7,009	8,634	10,118	—	—
Three years later	2,468	2,923	3,277	3,760	4,834	6,006	7,249	8,721	—	—	—
Four years later	2,471	2,984	3,355	4,132	5,040	6,390	7,417	—	—	—	—
Five years later	2,514	3,047	3,601	4,285	5,355	6,631	—	—	—	—	—
Six years later	2,561	3,192	3,740	4,519	5,575	—	—	—	—	—	—
Seven years later	2,672	3,318	3,935	4,693	—	—	—	—	—	—	—
Eight years later	2,792	3,494	4,090	—	—	—	—	—	—	—	—
Nine years later	2,960	3,632	—	—	—	—	—	—	—	—	—
Ten years later	3,097	—	—	—	—	—	—	—	—	—	—
Deficiency	(681)	(776)	(954)	(1,218)	(1,469)	(1,573)	(982)	(466)	(304)	(118)	—

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LIFE INSURANCE

CNA's life insurance operations market individual and group insurance products through licensed agents, most of whom are independent contractors, who sell life insurance for CNA and for other companies on a commission basis. Individual insurance products, including life, accident and health and annuity products, are sold to individuals and small businesses. Group insurance products, including life, accident and health and pension products, are sold to employers, employer associations and trusts ranging in size from small local employers to large multinational corporations.

The following table sets forth supplemental data for the life insurance business:

	Years Ended December 31,		
	1990	1989	1988
	(In millions of dollars)		
Individual Premiums:			
Life and annuities	$ 239.5	$ 235.6	$ 218.2
Accident and health	21.1	18.0	16.4
	$ 260.6	$ 253.6	$ 234.6
Group Premiums:			
Life	$ 82.6	$ 75.5	$ 71.4
Accident and health	1,713.3	1,647.8	1,461.2
Annuities (a)	51.6	100.1	106.1
	$1,847.5	$1,823.4	$1,638.7
Net Investment Income and Other Income:			
Individual	$ 162.2	$ 156.8	$ 132.4
Group	188.8	183.3	170.4
	$ 351.0	$ 340.1	$ 302.8
Gross Life Insurance in Force:			
Individual	$ 68,095	$ 64,814	$ 62,435
Group	21,167	21,105	16,032
	$ 89,262	$ 85,919	$ 78,467
Other Data (b):			
Statutory capital and surplus	$ 848.8	$ 786.4	$ 637.4
Statutory capital and surplus—percent of total liabilities	26.4%	26.7%	23.6%
Participating policyholders—percent of gross life insurance in force	1.5%	1.8%	2.2%

(a) Includes $5.2, $18.6 and $11.7 million in 1990, 1989 and 1988, respectively, of single premium annuities sold to property casualty insurance affiliates covering structured settlements.

(b) Other Data are determined on the basis of statutory accounting principles and reflects capital contributions from Continental Casualty Company of $100.0 and $130.0 million in 1990 and 1989, respectively. Life insurance subsidiaries have received, or will receive, reimbursement from CNA for general management and administrative expenses in the amounts of $25.0, $27.1 and $26.8 million in 1990, 1989 and 1988, respectively.

Statutory capital and surplus as a percent of total liabilities is determined after excluding Separate Account liabilities and reclassifying the Mandatory Securities Valuation Reserve as surplus.

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Competition: All aspects of the insurance business are highly competitive. CNA's insurance operations compete with a large number of stock and mutual insurance companies and other entities for both producers and customers and must continuously allocate resources to refine and improve their present insurance products and services. Based on net premiums written in 1989, Continental Casualty Company is ranked as the 8th largest among approximately 3,900 companies writing property and casualty insurance in the United States, about 900 of which operate in all or most states. Continental Assurance Company is ranked as the 11th largest among approximately 2,400 companies selling life insurance (including health insurance and pension products) in the United States, based on premium revenue in 1989.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision throughout the United States. The payment of dividends to CNA by its insurance affiliates without prior approval of the Illinois Insurance Department is limited to formula amounts determined in accordance with the accounting practices prescribed or permitted by the Illinois Insurance Department. Intercompany transfers of assets may also be subject to prior notice or approval, depending on the size of such transfers and payments in relation to the financial position of the insurance affiliate making the transfer.

Insurers are also required by the states to provide coverage for risks which would not otherwise be considered eligible by the insurers. Each state dictates the types of insurance and the level of coverage which must be provided for such involuntary risks. CNA's share of these involuntary risks is generally a function of its share of the voluntary market, by line of insurance, in each state.

Each state has established supervisory agencies with broad administrative power relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, fixing minimum interest rates for accumulation of surrender values and maximum interest rates of policy loans, prescribing the form and content of statutory financial reports and regulating the type and amount of investments permitted. Regulatory powers also extend to premium rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory. Several states have recently adopted or are considering laws and regulations which, among other things, limit the ability of property and casualty insurance companies to effect rate increases, and cancel and nonrenew insurance policies, particularly in the private passenger automobile, commercial liability and professional liability lines of insurance.

In another development, several states have adopted and the Federal government and other states are considering "tort reform" measures which, among other things, limit non-economic and punitive damages and otherwise limit damage awards in product liability and malpractice cases. Other current and proposed Federal measures which may significantly affect the insurance business include amendments to the McCarran-Ferguson Act, which exempts aspects of insurance from Federal regulation to the extent regulated by the states, and controls on medical care costs.

Reinsurance: CNA's insurance operations assume and cede insurance with other insurers, reinsurers and members of various reinsurance pools and associations. Insurance is assumed and ceded on both a pro-rata and excess basis. Reinsurance arrangements are utilized to limit maximum loss, provide greater diversification of risk and minimize exposures on larger risks. The ceding of insurance does not discharge the primary liability of the original insurer. It is the practice of insurers to account for the portion of the risks which have been reinsured with other companies as though they were risks for which the original insurer is not liable.

Properties: CNA Plaza, owned by Continental Assurance Company, is a 1,097,000 square foot office complex located at 333 S. Wabash, Chicago, Illinois. The forty-five story office building serves as the home office for CNA and its insurance affiliates. CNA Plaza and the adjacent building (a 454,000 square foot building located at 55 E. Jackson Blvd.) are partially situated on ground under leases expiring in 2058 and 2067. Approximately 42% of the adjacent building is rented to non-affiliates.

CNA also maintains four regional offices and thirty-nine branch offices in major cities throughout the United States. This office space is leased except for offices located in four CNA owned buildings.

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The Company's wholly-owned subsidiary, Lorillard, Inc. ("Lorillard"), is engaged, through its subsidiaries, in the production and sale of cigarettes. The principal cigarette brand names of Lorillard are Newport, Newport Stripes, Kent, Kent III, Kent Golden Lights, True, Satin, Max, Old Gold and Triumph. Lorillard's largest selling brands are the Newport and Kent brands, which accounted for approximately 61% and 24%, respectively, of Lorillard's sales in 1990. Substantially all of Lorillard's sales are in the United States. Lorillard's major trademarks outside of the United States were sold in 1977.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. Introduction of new brands, brand extensions and packings require the expenditures of substantial sums for advertising and sales promotion, with no assurance of consumer acceptance. The advertising media presently used by the Company include magazines, newspapers, out-of-home advertising and point-of-sale display materials. Sales promotion activities are conducted by distribution of samples and store coupons, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Advertising of cigarettes is prohibited on radio and television. Radio and television stations, however, continue to broadcast anti-tobacco messages.

The Federal Comprehensive Smoking Education Act, which became effective in 1985, requires the use on cigarette packaging and advertising of one of the following four warning statements, on a rotating basis: (1) "SURGEON GENERAL'S WARNING: Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy." (2) "SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks to Your Health." (3) "SURGEON GENERAL'S WARNING: Smoking By Pregnant Women May Result in Fetal Injury, Premature Birth, and Low Birth Weight." (4) "SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide." Four shortened versions of these statements are required, on a rotating basis, for use on billboards. This law also requires that each person who manufactures, packages or imports cigarettes shall annually provide to the Secretary of Health and Human Services a list of the ingredients added to tobacco in the manufacture of cigarettes. Such list of ingredients may be submitted in a manner which does not identify the company which uses the ingredients or the brand of cigarettes which contain the ingredients.

Prior to the effective date of the Comprehensive Smoking Education Act, Federal law had, since 1965, required that cigarette packaging bear a warning statement which from 1971 to 1985 was as follows: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous To Your Health." In addition, in 1972 Lorillard and other cigarette manufacturers had agreed, pursuant to consent orders entered into with the Federal Trade Commission ("FTC"), to include this health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes.

In recent years, many state, local and municipal governments and agencies, as well as the Federal General Services Administration and Department of Defense have adopted legislation or regulations which prohibit or restrict, or are intended to discourage, smoking, including legislation or regulations prohibiting or restricting smoking in various public places such as public buildings and facilities, stores and restaurants, on domestic airline flights and in the workplace and the sale of cigarettes in vending machines. Additional laws and regulations intended to prohibit, restrict or discourage smoking are being proposed or considered by various Federal, state and local governments and agencies with increasing frequency. In addition, from time to time, bills have been introduced in Congress, among other things, to end or limit the price supports for leaf tobacco; to prohibit advertising of any tobacco product on any medium of electronic communication; to prohibit all tobacco advertising and promotion; to provide that cigarette advertising not be a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the FTC to promulgate standards establishing maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes; and to require that cigarettes be manufactured in a manner that will cause them, under certain circumstances, to be self-extinguishing. A 1984 Federal law established a Technical Study Group to conduct a study and report to the Congress regarding the technical and commercial feasibility of developing cigarettes that will have a minimum propensity to ignite upholstered furniture or mattresses. A 1990 Federal law requires a final report be submitted by 1993. Several states also are considering legislation in this area.

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Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets, and through chain store organizations and vending machine operators, many of whom purchase their requirements directly, and by direct sales to the U.S. Armed Forces. Lorillard's tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco and burley tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions. Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and eight other Near Eastern countries. In addition, Lorillard purchases substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

Due to the varying size and quality of annual crops and other economic factors, tobacco prices in the past have been subject to fluctuation. Among the economic factors are Federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls together with support prices have substantially affected the market prices of tobacco. Pursuant to authorizations contained in Federal legislation enacted in 1986, the price support levels were reduced in 1986 with the intent of making U.S. - produced tobacco more competitive. The approximate average auction prices per pound for flue-cured tobacco was $1.675 in 1989 and $1.671 in 1990 and for burley tobacco was $1.672 in 1989 and $1.751 in 1990. The prices paid by Lorillard have generally been consistent with this trend. Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 to the Notes to Consolidated Financial Statements for inventory costing method.

During 1990, Lorillard increased the wholesale price of its king size, 100 and 120 millimeter cigarettes by $5.00 per thousand, in the aggregate. On January 1, 1991 the wholesale price was increased $2.00 per thousand cigarettes to reflect the increase in the Federal excise tax.

Taxes: Federal excise taxes included in the price of cigarettes were increased from $8.00 to $10.00 per thousand cigarettes effective January 1, 1991 and will increase to $12.00 per thousand cigarettes effective January 1, 1993. Excise taxes, which are levied upon and paid by the distributors, are also in effect in the fifty states, the District of Columbia and many municipalities. The state taxes generally range from 2 cents to 41 cents per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of cigarettes. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition. Lorillard's manufacturing plant is located on approximately 79 acres in Greensboro, North Carolina. This 942,600 square foot plant contains modern and high speed cigarette manufacturing machinery. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 1,500,000 square feet. A modern research facility containing approximately 82,000 square feet is also located at Greensboro.

Lorillard leases a corporate office in Mineola, New York and leases an executive office in New York City and sales offices in major cities throughout the United States.

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Competition: All of Lorillard's products are sold in highly competitive markets. The following table sets forth cigarette sales in the United States by the industry and by Lorillard, as reported in the Maxwell Consumer Report, a quarterly statistical survey of the cigarette industry. This table indicates the relative position of Lorillard in the industry:

Calendar Year	Industry (000)	Lorillard (000)	Lorillard to Industry
1990	522,050,000	40,120,000	7.7%
1989	523,880,000	41,800,000	8.0%
1988	558,120,000	46,060,000	8.2%

The Bureau of Alcohol, Tobacco and Firearms reports Lorillard's share of total taxable factory removals of all cigarettes to be 7.4% and 8.3% for 1989 and 1988, respectively. Data for 1990 is not currently available.

The Maxwell Consumer Report divides the cigarette market into two price segments, the standard price segment and the price/value or reduced price segment. According to the Maxwell Consumer Report the reduced price segment increased in 1990 to approximately 19% from approximately 15% of the market. Substantially all of Lorillard's sales are in the standard price segment where Lorillard's share in 1990 remained essentially unchanged at approximately 9.4% of this segment, according to the Maxwell Consumer Report. In 1990 Lorillard began to market its first reduced price brand, Heritage.

On the basis of information currently available, Lorillard ranks fourth among the major producers of tobacco products in the United States.

87758149

LOEWS HOTELS HOLDING CORPORATION

The subsidiaries of Loews Hotels Holding Corporation ("Loews Hotels"), a wholly-owned subsidiary of the Company, presently operate the following 14 hotels:

Name and Location	Type	Number of Rooms (Year Opened)	Owned, Leased or Managed
Loews Anatole Dallas, Texas	Luxury Hotel	1,620 (1979)	Management contracts expiring 1998
Loews Annapolis Annapolis, Maryland	Luxury Hotel	217 (1986(2))	Owned
Loews Giorgio Denver, Colorado	Luxury Hotel	197 (1986(2))	Owned
Loews Glenpointe Teaneck, New Jersey	Luxury Hotel	345 (1983)	Management contract expiring 2008, with renewal options for 15 years (3)
Howard Johnson Hotel (1) New York, New York	Commercial Hotel	300 (1962)	Owned
Loews Le Concorde Quebec City, Canada	Luxury Hotel	424 (1974(2))	Land lease expiring 2069
Loews L'Enfant Plaza Washington, D.C.	Luxury Hotel	372 (1973)	Management contract expiring 2003 (3)
Loews Monte Carlo Monte Carlo, Monaco	Resort Hotel	622 (1975)	Lease expiring 2022
Ramada Hotel (1) New York, New York	Commercial Hotel	366 (1962)	Owned
Regency New York, New York	Luxury Hotel	496 (1963)	Land lease expiring 2011, with renewal options for 49 years
Loews Santa Monica Beach Santa Monica, California	Luxury Hotel	350 (1989)	Management contract expiring 2007, with renewal options for 10 years
Loews Summit New York, New York	First Class Hotel	765 (1961)	Owned
Loews Vanderbilt Plaza Nashville, Tennessee	Luxury Hotel	342 (1984(2))	Owned
Loews Ventana Canyon Resort Tucson, Arizona	Resort Hotel	398 (1984)	Management contract expiring 2004 with renewal options for 10 years (3)

(1) Operated by Loews Hotels under license agreements pursuant to which Loews Hotels pays royalty fees on sales, as defined in the agreements, for the use of the respective trade names, trademarks and other rights.

(2) The Le Concorde, Giorgio, Vanderbilt Plaza and Annapolis Hotels were acquired by Loews Hotels in 1987, 1989, 1989 and 1990, respectively.

(3) These management contracts are subject to termination rights.

Loews Hotels has entered into a management agreement to operate the Loews Coronado Bay Resort Hotel, a 450 room luxury hotel presently under construction in San Diego, California. The hotel is expected to open in October 1991.

During 1990 Loews Hotels sold the Harbour Cove Inn in Paradise Island, the Bahamas, and its lease interest in the La Napoule Hotel, in France.

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The Monte Carlo hotel includes a casino operated by a joint venture in which Loews Hotels is a co-venturer. In addition, the hotels which are operated by Loews Hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses.

The hotels owned by Loews Hotels (including those owned and leased to third parties) are subject to mortgage indebtedness aggregating approximately $78,145,000 at December 31, 1990 with interest rates ranging from 8.5% to 11%, and maturing between 1992 and 1999.

Loews Hotels has leased to a joint venture the Sheraton Centre and the Sheraton City Squire Inn, in New York City, for terms expiring in 2002 and 2000, respectively. The leases, which contain purchase options on the part of lessees, are guaranteed by American Airlines, Inc. and Sheraton Corporation and provide for payment of fixed aggregate annual rent and a percentage rental with provisions for maximum fixed annual and percentage rents.

Competition from other hotels, motor hotels and inns, including facilities owned by local interests and by national and international chains, is vigorous in all areas in which Loews Hotels operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. Loews Hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. Because of the competitive nature of the industry, hotel and motor hotel operations must continually make expenditures for updating, refurnishing and repairs and maintenance, in order to prevent competitive obsolescence.

BULOVA CORPORATION

Bulova's consumer products segment distributes and sells watches, clocks, watch parts and jewelry for consumer use. Its industrial and defense products segment manufactures and sells electronic and mechanical time fuzes and electronic mine sensors for national defense. Other important products are precision electro-mechanical devices for ordnance applications.

Consumer Products: Bulova distributes and sells analog and analog-digital quartz-crystal watches, jewelry and various types of clocks. All watch movements and cases and other components and all clocks are purchased from foreign and domestic suppliers. Watches are sold by Bulova principally in the United States and Canada. In most other areas of the world, Bulova has appointed licensees who market watches under Bulova's trademarks in return for a royalty. The consumer products business is seasonal, with the greatest sales coming in the third and fourth quarters in expectation of the holiday selling season. The consumer products business is intensely competitive. The principal methods of competition are price, aftersale service, warranty, product performance and styling.

Defense Products: The principal products of this segment are electronic and mechanical time fuzes for national defense sold to the United States government. These sales accounted for substantially all of the sales of this segment and approximately 39% of Bulova's total sales in 1990. In November 1989, Bulova and a competitor were awarded the first contract to produce the M-762 electronic fuze. This award was protested before the General Accounting Office by a losing bidder and a stop work order was issued suspending performance until disposition of the protest. In April 1990, the protest was settled in favor of Bulova and work commenced on the contract. Bulova is currently negotiating with the government to recover costs incurred as a result of the delay. The Department of Defense continued to purchase mechanical fuzes during 1990, however, Bulova understands that the Department of Defense has made the decision to phase out mechanical time fuzes, which had been this segment's principal product for many years. Competition for subsequent contracts to produce electronic fuzes is expected to be intense. Accordingly, no assurance can be given as to whether Bulova will be awarded additional contracts or as to the profitability of any additional contracts which may be awarded to it.

The backlog of defense products sales amounted to $88.0 million as of December 31, 1990 and $100.1 million as of December 31, 1989. Substantially all of the current backlog is expected to be filled during 1991.

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The defense business is intensely competitive. The principal methods of competition are price and product performance. Defense business represents mostly competitive fixed-price contracts awarded by the United States government.

Patents, Research and Development: Bulova has various United States and foreign patents expiring between 1991 and 2006 and various pending patent applications.

Properties: Bulova leases its primary facilities for its consumer products segment which consists of an 80,000 square foot plant in Woodside, New York for its principal executive and sales office, watch distribution, service and warehouse purposes, a 71,000 square foot plant in Maspeth, New York for clock service and warehouse purposes and a 25,000 square foot plant in Toronto, Canada for watch and clock sales and service. Bulova's primary facilities for its defense products segment consists of its owned plants in Valley Stream, New York and Lancaster, Pennsylvania aggregating 434,800 square feet. The principal manufacturing plant in Lancaster, Pennsylvania is subject to mortgage indebtedness of approximately $3,948,000 at December 31, 1990 with interest at 70% of the prime rate, but not lower than 8.5% and maturing in the year 2000. Bulova also leases a 100,000 square foot warehouse located in Lancaster, Pennsylvania and 18.5 acres of land for the storage of defense products located in West Willow, Pennsylvania. The Valley Stream, New York facility will be closed in 1991 and consolidated into the Lancaster, Pennsylvania facility.

DIAMOND M CORPORATION

The subsidiaries of Diamond M Corporation ("Diamond M"), a wholly-owned subsidiary of the Company, are engaged in the business of owning and operating drilling rigs that are used primarily in drilling of oil and gas wells on a contract basis for companies engaged in exploration and production of hydrocarbons.

Diamond M currently owns and operates ten major mobile rigs that are used primarily for exploratory drilling in offshore waters and 33 land rigs and related equipment. The land rigs were purchased in 1990 for $14,900,000. Contracts for Diamond M's major mobile rigs and its land rigs are offered worldwide for either a fixed term, which may range from a few months to several years, or on a well-to-well basis, in which a specified well or number of wells may be scheduled to be drilled. At December 31, 1990 five major mobile rigs and 19 land rigs did not have work commitments.

The oil and gas drilling business is dependent on the drilling requirements of petroleum producers and is competitive in all its phases. Diamond M competes with a large number of drilling contractors and must continually allocate resources for technological changes, repairs and maintenance. Diamond M's rigs are of modern design and are equipped with the latest technology. Companies in the industry compete primarily on the basis of equipment day-rates and mobilization fees, personnel competence and equipment suitability and availability.

OTHER

The Company owns approximately 23% of the outstanding common stock of CBS Inc. ("CBS"). Laurence A. Tisch, Chairman of the Board of Directors and Co-Chief Executive Officer of the Company, is Chairman, President and Chief Executive Officer of CBS. Preston R. Tisch, President and Co-Chief Executive Officer of the Company, is also a director of CBS.

In January 1990, the Company ceased its crude oil shipping operations when it sold three of its large crude oil tankers for approximately $133 million in cash to a newly formed company and contributed its three remaining tankers for preferred stock and a 49 percent common stock interest in that company, which operates the six vessels.

In connection with the acquisition in 1989 of the Loews Vanderbilt Plaza Hotel in Nashville, Tennessee, the Company also acquired an adjacent 161,000 square foot, first class office building, which is leased to third parties.

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EMPLOYEE RELATIONS

The Company, inclusive of its operating subsidiaries as described below, employed approximately 26,600 persons at December 31, 1990.

Lorillard employed approximately 4,100 persons at December 31, 1990. Approximately 2,000 of these employees are represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed. Lorillard considers its employee relations to be satisfactory.

Lorillard has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants with the Tobacco Workers International Union, the International Brotherhood of Fireman and Oilers, and the International Association of Machinists. Lorillard has a retirement plan, a deferred profit sharing plan, and other benefits for its hourly-paid employees who are represented by the foregoing unions.

Loews Hotels employed approximately 2,800 persons at December 31, 1990, approximately 2,350 of whom are union members covered under collective bargaining agreements. Loews Hotels has experienced satisfactory labor relations and provides comprehensive benefit plans for its hourly-paid employees.

Diamond M employed approximately 700 persons at December 31, 1990, approximately 100 of whom are union members. Diamond M has experienced satisfactory labor relations and provides comprehensive benefit plans for its employees.

The Company maintains a retirement plan, group life, disability and health insurance program and savings plan for salaried employees. In addition, certain eligible employees may participate in a deferred compensation plan. Lorillard and Loews Hotels salaried employees also participate in these benefit plans.

CNA and its subsidiaries employ approximately 17,200 persons and have experienced satisfactory labor relations. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees including a retirement plan, a savings plan, a disability program, a group life program and a group health care program.

Bulova and its subsidiaries employ approximately 1,500 persons, approximately 800 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all employees.

Item 2. Properties.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1.

Item 3. Legal Proceedings.

1. CNA's primary property/casualty subsidiary, Continental Casualty Company, is party to litigation involving coverage for certain asbestos-related claims and defense costs. In one case, a trial court has rendered a decision against CNA regarding coverage issues. The eventual impact of the decision cannot be determined at this time. CNA believes that there are substantial issues of law and fact that can only be resolved upon appeal. CNA intends to vigorously pursue these issues.

2. A number of actions and claims by smokers and non-smokers have been asserted against Lorillard and other leading manufacturers of tobacco products seeking damages for cancer and other health effects claimed to have resulted from tobacco use, as well as from exposure to its use. Presently, approximately 47 such cases are pending in the United States federal and state courts against manufacturers of tobacco products generally and Lorillard is named as a defendant in 12 of them. Of these actions, seven against the industry, including two against Lorillard, have been commenced since January 1, 1990. Plaintiffs have asserted claims based on, among other things, theories of negligence, fraud, misrepresentation, strict liability, breach of warranty, violation of state consumer protection laws, enterprise liability, civil conspiracy, intentional infliction of harm, and failure to warn of the allegedly harmful and/or addictive nature of tobacco products. Plaintiffs

87758153

seek compensatory and punitive damages which in many cases are unspecified and in others are stated to amount to as much as $400,000,000 as to compensatory damages and as much as $225,000,000 as to punitive damages.

Cipollone v. Liggett Group, Inc., et al. was tried against Lorillard and two other tobacco companies before the United States District Court, District of New Jersey, during 1988. The trial resulted in a verdict in favor of Lorillard and another tobacco company. A verdict of $400,000 was rendered in favor of the plaintiff against the third defendant, Liggett Group, Inc., on a breach of express warranty claim. The United States Court of Appeals for the Third Circuit later reversed the judgment in favor of plaintiff and remanded the case for a new trial against Liggett on claims of breach of express warranty and failure to warn before 1966 when the Federal Cigarette Labeling and Advertising Act (the "Labeling Act") first required the Surgeon General's warning on cigarette packages. The Court of Appeals also ruled that the plaintiffs were entitled under New Jersey law to a new trial against all defendants on the claim of generic risk-utility, a theory of tort liability. In an earlier ruling in this case, the federal Court of Appeals had ruled that plaintiff's claims for failure to warn, breach of express warranty, conspiracy and intentional misrepresentation, insofar as they relate to the period of time after 1965, were preempted by the Labeling Act. Similar rulings have been rendered by four other federal Courts of Appeal, while two state appellate courts have held that the Labeling Act does not limit the theories of liability that can be asserted against cigarette manufacturers. This conflict is expected to be resolved by the United States Supreme Court, which on March 25, 1991 accepted *Cipollone* for review. The new trial in *Cipollone* will be postponed pending the Supreme Court ruling.

In addition to the foregoing cases, several cases have been filed against Lorillard seeking damages for cancer and other health effects claimed to have resulted from exposure to asbestos fibers which were incorporated, for a limited period of time, over 30 years ago, into the filter of one of the brands of cigarettes manufactured by Lorillard. Presently, four such cases are pending in federal courts and state courts against Lorillard, all of which have been commenced since January 1, 1990. Allegations of liability against Lorillard include negligence, strict liability, fraud and misrepresentation. Plaintiffs in each of these cases seek an unspecified dollar amount in actual and punitive damages. Two of these cases are currently scheduled for trial in 1991.

Any adverse development in a smoking and health case, whether or not Lorillard is a party, could prompt the filing of additional smoking and health cases. Similarly, an adverse development in an asbestos filter case could prompt the filing of additional such cases. Lorillard intends to defend vigorously all such actions which may be brought against it.

87758154

Item 4. Submission of Matters to a Vote of Security Holders.

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices Held	Age	First Became Officer
Kenneth Abrams	Vice President—Personnel	57	1975
Gary W. Garson	Vice President and Assistant Secretary	44	1988
Robert J. Hausman	Vice President	67	1973
Barry Hirsch	Senior Vice President and Secretary	57	1971
Herbert C. Hofmann	Vice President—Operations Planning	48	1979
John J. Kenny	Treasurer	53	1991
Guy A. Kwan	Controller	48	1987
John G. Malino	Vice President—Real Estate	51	1985
Stuart B. Opotowsky	Vice President—Tax	56	1987
Richard E. Piluso	Vice President—Internal Audit	52	1990
Roy E. Posner	Senior Vice President and Chief Financial Officer	57	1973
Dennis Smith	Vice President—Management Information Services	44	1990
James S. Tisch	Executive Vice President	38	1981
Jonathan M. Tisch	Vice President	37	1987
Laurence A. Tisch	Chairman of the Board and Co-Chief Executive Officer	68	1959
Preston R. Tisch	President and Co-Chief Executive Officer	64	1960

Laurence A. Tisch and Preston R. Tisch are brothers. Andrew H. Tisch and James S. Tisch are sons of Laurence A. Tisch and Jonathan M. Tisch is a son of Preston R. Tisch. None of the other officers or directors of Registrant is related to any other.

All executive officers of Registrant, except Preston R. Tisch, Mr. Kenny and Mr. Opotowsky, have been engaged actively and continuously in the business of Registrant for more than the past five years. Preston R. Tisch served as Postmaster General of the United States from August 15, 1986 to February 29, 1988. Prior thereto he had served as President and Chief Operating Officer of the Company since 1969 and as a director of the Company since 1960. Mr. Kenny was an executive in the treasury and commodity trading departments of Amerada Hess Corporation prior to joining Loews Corporation as Assistant Treasurer in 1988. Prior to becoming an officer in March 1987, Mr. Opotowsky was a member of the law firm of Fett & Ahrens.

Jonathan M. Tisch served in an executive capacity in Registrant's hotel operations for more than five years prior to his appointment as Vice President. Mr. Garson has served as Deputy General Counsel of Registrant for more than five years prior to his appointment as Vice President. Mr. Kwan was Assistant Controller of Registrant for more than five years prior to his appointment as Controller. Mr. Piluso served as Director of Internal Audit and Mr. Smith served as Assistant Vice President—Management Information Services of Registrant for more than five years prior to their appointment as Vice President.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

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PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters.

Information relating to this item is included on page 1 of the accompanying 1990 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. Selected Financial Data.

The selected financial data appearing on page 1 of the accompanying 1990 Annual Report to Shareholders are incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations appearing on pages 8 through 11 of the accompanying 1990 Annual Report to Shareholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements appearing on pages 12 through 30 of the accompanying 1990 Annual Report to Shareholders are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to regulation 14A.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial Statements:

The financial statements appearing on pages 12 through 30 of the accompanying 1990 Annual Report to Shareholders are incorporated herein by reference. The following additional financial data should be read in conjunction with the financial statements in the 1990 Annual Report to Shareholders. Schedules not included with these additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes to consolidated financial statements.

2. Financial Statement Schedules:	Page Number
Independent Auditors' Report	L-1
Loews Corporation and Subsidiaries:	
Schedule I—Summary of investments—other than investments in related parties at December 31, 1990	L-2
Schedule III—Condensed financial information of Registrant for the years ended December 31, 1990, 1989 and 1988	L-3
Schedule VIII—Valuation and qualifying accounts for the years ended December 31, 1990, 1989 and 1988	L-8
Schedule IX—Short-term borrowings for the years ended December 31, 1990, 1989 and 1988	L-9

87758156

	Page Number
Schedule X—Supplementary income statement information for the years ended December 31, 1990, 1989 and 1988	L-10
Schedule XIV—Supplemental information concerning property/casualty insurance operations for the years ended December 31, 1990, 1989 and 1988	L-11

3. Exhibits:

Description	Exhibit Number
(3) Articles of Incorporation and By-Laws	
Restated Certificate of Incorporation of the Registrant, incorporated herein by reference to Exhibit 3 to Registrant's Report on Form 10-Q for the quarter ended September 30, 1987	3.01
By-Laws of the Registrant as amended to date, incorporated herein by reference to Exhibit 4.6 to Registrant's Registration Statement No. 33-31432	3.02
(4) Instruments Defining the Rights of Security Holders, Including Indentures	
The Registrant hereby agrees to furnish to the Commission upon request copies of instruments with respect to long-term debt, pursuant to Item 601(b) (4) (iii) of Regulation S-K.	
(10) Material Contracts	
Employment Agreement between Registrant and Laurence A. Tisch dated March 1, 1971 as amended through March 1, 1990 is incorporated herein by reference to Exhibit 10.01 to Registrant's Reports on Form 10-K for the years ended December 31, 1981, December 31, 1983, December 31, 1984, December 31, 1985, December 31, 1986, December 31, 1988 and December 31, 1989	10.01
Employment Agreement dated as of March 1, 1988 between Registrant and Preston R. Tisch as amended through March 1, 1990 is incorporated herein by reference to Exhibit 10.05 to Registrant's Report on Form 10-K for the years ended December 31, 1987 and December 31, 1989	10.02
Employment Agreement dated November 22, 1982, as amended, between Registrant and Robert J. Hausman is incorporated herein by reference to Exhibit 10.04 to Registrant's Report on Form 10-K for the year ended December 31, 1985, an amendment dated December 8, 1988 is incorporated herein by reference to Exhibit 10.03 to Registrant's Report on Form 10-K for the year ended December 31, 1988, and an amendment dated May 30, 1990 is filed herewith	10.03
Employment Agreement dated January 23, 1975 as amended through March 15, 1983 between a subsidiary of Registrant and Edward J. Noha, incorporated herein by reference to Exhibit 10.05 to Registrant's Report on Form 10-K for the year ended December 31, 1982 and amendments dated May 12, 1987 and February 17, 1988 are incorporated herein by reference to Exhibit 10.04 to Registrant's Report on Form 10-K for the year ended December 31, 1987 and Continuing Service Agreement dated February 27, 1991 is filed herewith	10.04
Loews Corporation Benefits Equalization Plan is incorporated herein by reference to Exhibit 10.06 to Registrant's Report on Form 10-K for the year ended December 31, 1987	10.05

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Description	Exhibit Number
Loews Corporation Deferred Compensation Plan is incorporated herein by reference to Exhibit 10.07 to Registrant's Report on Form 10-K for the year ended December 31, 1988	10.06
(11) Statement Re Computation of Per Share Earnings	
Computation of earnings per common share assuming full dilution for the years ended December 31, 1990 and 1989	11.01
(13) Annual Report to Security Holders	
Registrant's 1990 annual report to security holders. Except for those portions of such report which are expressly incorporated by reference in this Form 10-K, such report is furnished for the information of the Commission and is not deemed "filed" as part of this filing	13.01
(22) Subsidiaries of the Registrant	
List of subsidiaries of Registrant	22.01
(24) Consents of Experts and Counsel	
Consent of Deloitte & Touche	24.01
(29) Information from Reports furnished to State Insurance Regulatory Authorities	
Reconciliation of Property/Casualty Reserves as shown on Schedule P to Reserves for Unpaid Claims and Claims Expense as shown in the Form 10-K for the year ended December 31, 1990	29.01
Schedule P of Annual Statements to state regulatory authorities by property/casualty insurance subsidiaries for the year ended December 31, 1990	29.02

(b) Reports on Form 8-K:

There were no reports on Form 8-K for the three months ended December 31, 1990.

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SIGNATURES

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.

LOEWS CORPORATION

Dated: March 27, 1991

By Roy E. Posner
(Roy E. Posner, Senior Vice President and Chief Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 27, 1991

By Laurence A. Tisch
(Laurence A. Tisch, Chairman of the Board and Principal Executive Officer)

Dated: March 27, 1991

By Roy E. Posner
(Roy E. Posner, Senior Vice President and Chief Financial Officer)

Dated: March 27, 1991

By Guy A. Kwan
(Guy A. Kwan, Controller)

By _____
(Charles B. Benenson, Director)

Dated: March 27, 1991

By John Brademas
(John Brademas, Director)

By _____
(Bernard Myerson, Director)

By _____
(Edward J. Noha, Director)

Dated: March 27, 1991

By Lester Pollack
(Lester Pollack, Director)

Dated: March 27, 1991

By Gloria R. Scott
(Gloria R. Scott, Director)

Dated: March 27, 1991

By Andrew H. Tisch
(Andrew H. Tisch, Director)

Dated: March 27, 1991

By James S. Tisch
(James S. Tisch, Director)

Dated: March 27, 1991

By Jonathan M. Tisch
(Jonathan M. Tisch, Director)

Dated: March 27, 1991

By Preston R. Tisch
(Preston R. Tisch, Director)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and
Shareholders of Loews Corporation:

We have audited the accompanying consolidated balance sheets of Loews Corporation and its subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1990. Our audits also include the financial statement schedules listed in the index at Item 14(a)2. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Loews Corporation and subsidiaries at December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Deloitte & Touche

New York, New York
February 13, 1991

87758160

LOEWS CORPORATION AND SUBSIDIARIES

Summary of Investments—Other than Investments in Related Parties at December 31, 1990

	Cost (a)	Quoted Market Value	Carrying Value (a)
		(In thousands)	
Fixed maturities:			
Bonds and notes:			
United States government and government agencies and authorities	$ 5,053,927	$ 5,109,367	$ 5,053,927
States, municipalities and political subdivisions	7,984,543	8,291,054	7,984,543
Foreign governments	253,920	254,874	253,920
Public utilities	145,829	149,786	145,829
Convertibles and bonds with warrants attached	75,059	68,338	75,059
All other corporate	1,440,279	1,326,141	1,420,064
Redeemable preferred stocks	155,849	141,408	155,849
Total fixed maturities	15,109,406	$15,340,968	15,089,191
Equity securities:			
Common stocks:			
Public utilities	1,479	$ 1,696	1,696
Banks, trusts and insurance companies	104,266	104,723	104,723
Industrial, miscellaneous and all other	675,358	683,367	683,468
Non-redeemable preferred stocks	78,895	90,425	90,075
Total equity securities	859,998	$ 880,211	879,962
Mortgage loans and notes receivable	220,259		220,259
Loans to life insurance policyholders	182,598		182,598
Other long-term investments	35,271		33,143
Short-term investments	3,525,786		3,525,786
Total investments	$19,933,318		$19,930,939

(a) Includes the effects of purchase value adjustments.

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Condensed Financial Information of Registrant

LOEWS CORPORATION

BALANCE SHEETS

ASSETS

	December 31,	
	1990	1989
	(In thousands)	
Current assets:		
Cash, including invested cash of $790,597 and $915,053	$ 796,499	$ 915,347
Receivables	44,587	34,107
Total current assets	841,086	949,454
Investments, at cost	432,659	492,740
Total current assets and investments	1,273,745	1,442,194
Investments in capital stocks of subsidiaries, at equity	5,183,590	4,857,846
Advances to subsidiaries	138,576	197,935
Other assets	17,129	17,259
Total assets	$6,613,040	$6,515,234

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	$ 47,181	$ 142,660
Federal income taxes payable (c)	16,728	34,586
Current maturities of long-term debt (b)	194,334	848
Total current liabilities	258,243	178,094
Long-term debt, less current maturities (b)	1,313,865	1,526,662
Total liabilities	1,572,108	1,704,756
Shareholders' equity (a):		
Common stock, $1 par value		
Authorized—200,000,000 shares		
Issued and outstanding—69,916,800 and 75,059,498 shares	69,917	75,059
Additional paid-in capital	130,301	138,508
Earnings retained in the business	4,860,494	4,578,228
Unrealized appreciation on equity securities	(17,315)	22,199
Cumulative translation adjustment	(2,465)	(3,516)
Total shareholders' equity	5,040,932	4,810,478
Total liabilities and shareholders' equity	$6,613,040	$6,515,234

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Condensed Financial Information of Registrant

LOEWS CORPORATION

STATEMENTS OF INCOME

	Years Ended December 31,		
	1990	1989	1988
	(In thousands)		
Revenues:			
Equity in income of subsidiaries (d)	$802,915	$ 947,730	$ 901,484
Realized investment gains (losses)	62,829	(37,821)	38,084
Interest and other	133,209	96,532	71,076
Total	998,953	1,006,441	1,010,644
Expenses:			
Administrative	11,117	9,140	8,768
Interest	130,401	106,792	102,733
Total	141,518	115,932	111,501
Income before provision for income taxes (benefits)	857,435	890,509	899,143
Provision for income taxes (benefits) (c):			
Federal	41,002	(16,496)	(12,502)
State	11,783	(136)	3,170
Total	52,785	(16,632)	(9,332)
Net income	$804,650	$ 907,141	$ 908,475

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Condensed Financial Information of Registrant

LOEWS CORPORATION

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	1990	1989	1988
	(In thousands)		
Operating Activities:			
Net income	$ 804,650	$ 907,141	$ 908,475
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of affiliates	(268,843)	(493,272)	(484,604)
Realized investment (gains) losses	(62,829)	37,821	(38,084)
Other—net	39,505	(907)	(3,922)
Changes in assets and liabilities—net:			
Receivables	10,852	(5,244)	(501)
Accounts payable and accrued liabilities	(9,622)	21,235	(987)
Federal income taxes payable	27,681	44,991	(161,396)
Other—net	(20,396)	2,682	(183)
	520,998	514,447	218,798
Investing Activities:			
Purchases of securities	(1,059,080)	(1,155,470)	(224,184)
Proceeds from sales of securities	996,808	752,229	124,249
Investments in and advances to subsidiaries	(160,231)	(155,672)	(328,168)
Reduction of investments and advances to subsidiaries	166,160	15,887	242,206
Change in other investments	568	(4,472)	36,772
	(55,775)	(547,498)	(149,125)
Financing Activities:			
Dividends paid to shareholders	(73,218)	(75,209)	(76,151)
Purchases of treasury shares	(463,871)	(54,889)	(46,521)
Issuances of long-term debt		432,924	
Principal payments on long-term debt	(46,982)	(10,597)	(694)
	(584,071)	292,229	(123,366)
Net change in cash, including invested cash	(118,848)	259,178	(53,693)
Cash, including invested cash, beginning of year	915,347	656,169	709,862
Cash, including invested cash, end of year	$ 796,499	$ 915,347	$ 656,169

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Condensed Financial Information of Registrant

Notes:

(a) In addition to its common stock, the Company has authorized 25,000,000 shares of preferred stock, $.10 par value.

(b) Long-term debt consisted of:

	December 31, 1990	December 31, 1989
	(In thousands)	
8 7/8% debenture due 2011 (effective interest rate of 9.0%) (authorized, $175,000)	$ 175,000	$ 175,000
9% senior sinking fund debentures due 2016 (effective interest rate of 9.2%) (authorized, $200,000) (2)	158,700	180,000
8 1/4% debentures due 2007 (effective interest rate of 8.4%) (authorized, $200,000) (3)	200,000	200,000
8 1/2% notes due 1998 (effective interest rate of 8.6%) (authorized, $125,000)	117,832	125,000
Notes payable—10% due 2002	18,842	19,689
10% subordinated notes due 1996 (effective interest rate of 10.1%) (authorized, $200,000) (4)	200,000	200,000
9 3/4% subordinated notes due 1993 (effective interest rate of 9.9%) (authorized, $200,000) (5)	193,400	200,000
Zero coupon convertible subordinated notes due 2004, net of discount of $584,548 and $626,575 (effective interest rate of 6.2%) (authorized, $1,075,000) (1)	463,883	448,425
	1,527,657	1,548,114
Less: unamortized discount	19,458	20,604
current maturities	194,334	848
	$1,313,865	$1,526,662

(1) These notes were issued at a price of 41.199% of the principal amount for a yield of 6% per annum to maturity. The notes are convertible into the Company's common stock at the rate of 2.745 shares per one thousand dollars principal amount, subject to adjustment. Each note will be purchased by the Company at the option of the holder as of October 17, 1994 at a price of 55.368% of principal amount. The Company, at its option, may elect to pay the purchase price in cash, shares of common stock or issuance of Subordinated Extension Notes due 2004, or in certain combinations thereof. The notes are redeemable at the option of the Company at any time after October 17, 1991 at prices which reflect a yield of 6% to the holder. Prior to October 17, 1991, the notes are not redeemable except under certain circumstances. The notes are subordinated to all senior indebtedness of the Company.

(2) Redeemable in whole or in part, at December 31, 1990 at 107% and decreasing percentages thereafter. Annual sinking fund payments of not less than $10,000 or more than $25,000 are required in each of the years 1997 to 2015 for redemption of at least 95% of debentures prior to maturity.

(3) Redeemable in whole or in part, at January 15, 1997 at 104% and decreasing percentages thereafter.

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(4) Redeemable in whole or in part at February 1, 1993.

(5) Redeemed on February 1, 1991.

The aggregate of long-term debt maturing during the next five years is approximately as follows: $194,334,000; $1,028,000; $1,138,000; $1,252,000 and $1,381,000.

(c) The Company is included in a consolidated Federal income tax return with certain of its subsidiaries and, accordingly, participates in the allocation of certain components of the consolidated provision for Federal income taxes. When the Company has income subject to tax, such tax is generally allocated on a separate return basis using the consolidated effective rate for companies with taxable income. Alternatively, no tax benefit is given for the inclusion of losses in years the Company has no income subject to tax.

The Company has entered into separate tax allocation agreements with Bulova and CNA, majority-owned subsidiaries in which its ownership exceeds 80% (the "Subsidiaries"). Each agreement provides that the Company will (i) pay to the Subsidiary the amount, if any, by which the Company's consolidated Federal income tax is reduced by virtue of inclusion of the Subsidiary in the Company's return, or (ii) be paid by the Subsidiary an amount, if any, equal to the Federal income tax which would have been payable by the Subsidiary if it had filed a separate consolidated return. Under these agreements, the Federal income tax benefit (expense) to CNA amounted to approximately $43,000,000, $7,000,000 and $(108,000,000) for the years ended December 31, 1990, 1989 and 1988, respectively, and to Bulova amounted to approximately $(2,600,000), $(3,500,000) and $(2,700,000) for the years ended December 31, 1990, 1989 and 1988, respectively. Each agreement may be cancelled by either of the parties upon thirty days' written notice. See Note 9 to the Notes to Consolidated Financial Statements of Loews Corporation and subsidiaries.

(d) Cash dividends paid to the Company by affiliates amounted to $515,229,000, $458,449,000 and $414,390,000 for the years ended December 31, 1990, 1989 and 1988, respectively.

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LOEWS CORPORATION AND SUBSIDIARIES

Valuation and Qualifying Accounts

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
		(In thousands)			
	For the Year Ended December 31, 1990				
Deducted from assets:					
Allowance for discounts	$ 6,950	$ 65,148		$67,009(1)	$ 5,089
Allowance for doubtful accounts	79,518	26,185		15,778	89,925
Investments in unconsolidated affiliate	529				529
Total	$86,997	$ 91,333		$82,787	$95,543(2)
	For the Year Ended December 31, 1989				
Deducted from assets:					
Allowance for discounts	$ 6,159	$ 61,983		$61,192(1)	$ 6,950
Allowance for doubtful accounts	58,685	31,339	$35	10,541	79,518
Investments in unconsolidated affiliate	529				529
Total	$65,373	$ 93,322	$35	$71,733	$86,997(2)
	For the Year Ended December 31, 1988				
Deducted from assets:					
Allowance for discounts	$ 4,873	$ 60,946	$ 2	$59,662(1)	$ 6,159
Allowance for doubtful accounts	28,510	39,804	2	9,631	58,685
Investments in unconsolidated affiliate	529				529
Total	$33,912	$100,750	$ 4	$69,293	$65,373(2)

Notes:

(1) Discounts allowed.

(2) Shown in the following captions in the accompanying consolidated balance sheets:

	1990	1989	1988
Mortgage loans and notes receivable	$ 296	$ 320	$ 327
Investments in associated companies	529	529	529
Receivables:			
Insurance	80,494	70,421	50,357
Other	14,224	15,727	14,160
Total	$95,543	$86,997	$65,373

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SCHEDULE IX

LOEWS CORPORATION AND SUBSIDIARIES

Short-Term Borrowings

Category of aggregate short-term borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period (a)	Weighted average interest rate during the period (b)
		(In thousands of dollars)			
		Year Ended December 31, 1990			
Banks (c)	$401,440	8.26%	$401,440	$189,440	7.80%
		Year Ended December 31, 1989			
Banks	$202,299	8.55%	$202,299	$7,609	8.73%
		Year Ended December 31, 1988			
Banks	$1,899	7.34%	$3,477	$2,106	5.94%

Notes: (a) Average amounts outstanding during the period are calculated by an average of end of month balances.

(b) Weighted average interest rate for the period is calculated by dividing short-term interest expense by the average amount outstanding for the period.

(c) CNA entered into loan participation certificates ("LPC") and master note agreements with several banks and a money market fund that provide short-term borrowing facilities for up to $750 million. Master notes represent borrowings on a demand basis arranged generally with trust departments of certain banks. LPC's are bank loans that are immediately sold to other institutions; they are similar in nature to commercial paper.

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LOEWS CORPORATION AND SUBSIDIARIES

Supplementary Income Statement Information

Column A	Column B		
	Charged to Costs and Expenses		
	Years Ended December 31,		
	1990	1989	1988
	(In thousands)		
Advertising costs	$146,192	$123,024	$111,243

Items not shown are omitted because they are either disclosed in the Notes to Consolidated Financial Statements or do not meet requirements for disclosure.

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LOEWS CORPORATION AND SUBSIDIARIES

Supplemental Information Concerning Property/Casualty Insurance Operations

	Consolidated Property/Casualty Entities		
	Years Ended December 31,		
	1990	1989	1988
	(In thousands)		
Deferred policy acquisition costs	$ 474,859	$ 414,253	$ 353,060
Reserves for unpaid claims and claims expense	13,419,198	11,573,897	9,813,565
Discount, if any, deducted above (based on an interest rate of 7.5%)	858,257	589,733	397,635
Unearned premiums	2,411,456	2,139,701	1,907,259
Earned premiums	6,296,614	5,395,659	4,992,199
Net investment income	1,184,850	1,031,577	877,466
Claims and claims expense related to current year	5,403,104	4,534,651	3,974,509
Claims and claims expense related to prior years	118,211	228,370	89,092
Amortization of deferred policy acquisition costs	964,481	868,463	775,973
Paid claims and claims expense	3,709,767	3,023,439	2,520,284
Premiums written	6,581,038	5,638,952	5,183,218

Note—Above amounts do not include the effects of purchase value adjustments, which are not material, arising from the Company's acquisition of CNA Financial Corporation.

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EXHIBIT 11.01

LOEWS CORPORATION AND SUBSIDIARIES

Statement Re Computation of Per Share Earnings Assuming Full Dilution

	Years Ended December 31,	
	1990	1989
	(In thousands, except per share data)	
Computation of Fully Diluted Net Income:		
Net income	$804,650	$907,141
Reduction of interest and debt discount expenses related to notes assumed converted, net of applicable Federal income taxes	17,891	3,665
Fully diluted net income	$822,541	$910,806
Computation of Fully Diluted Shares:		
Weighted average shares outstanding	73,091	75,182
Add shares assumed to be issued upon conversion of notes	2,925	614
Fully diluted shares	76,016	75,796
Net Income Per Common Share Assuming Full Dilution	$ 10.82	$ 12.02

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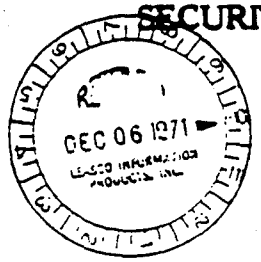
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549



FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

SEC-S.E.C.

NOV 29 1971

For the Fiscal Year Ended August 31, 1971

Commission File Number 1-4541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue, New York, N. Y.	10019
(Address of principal executive offices)	(Zip Code)

(212) 586-4400
(Telephone)

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

Title of each class	Name of each exchange on which registered
Common stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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DEC 3

ITEM 1. BUSINESS.

Information regarding the business of Registrant and subsidiary companies is hereby incorporated by reference to information contained under the captions "THE COMPANY" and "BUSINESS AND PROPERTY" of the Prospectus included in the Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-1 (File No. 2-38902) filed with the Securities and Exchange Commission on November 29, 1971 (hereinafter referred to as the "Post-Effective Amendment"). A copy of the Post-Effective Amendment is filed herewith as Annex A.

ITEM 2. SUMMARY OF OPERATIONS.

The summary of operations for Registrant and its subsidiaries consolidated is incorporated herein by reference to the "STATEMENT OF CONSOLIDATED EARNINGS" and the related NOTES thereto of the Prospectus included in the Post-Effective Amendment.

ITEM 3. PROPERTIES.

Information contained under the caption "BUSINESS AND PROPERTY" of the Prospectus included in the Post-Effective Amendment is incorporated herein by reference thereto.

ITEM 4. PARENTS AND SUBSIDIARIES.

Information contained under Item 27 of Part II of the Post-Effective Amendment relating to the subsidiaries of Registrant is incorporated herein by reference thereto. Reference is also made to Note 2 of Notes to Financial Statements contained in the Prospectus included in the Post-Effective Amendment with respect to an associated company.

ITEM 5. PENDING LEGAL PROCEEDINGS.

Information contained under the caption "PENDING LEGAL PROCEEDINGS" of the Prospectus included in the Post-Effective Amendment is incorporated herein by reference thereto.

ITEM 6. INCREASES AND DECREASES IN OUTSTANDING EQUITY SECURITIES.

	Shares of Common Stock, Par Value $1 per share
Outstanding, August 31, 1970	—
Increase during year (a):	
February 1, 1971—Issued on merger of Loews T. I. Corp. into Loew's Theatres, Inc.	14,460,392
Various dates—exercise of stock options	50,824
Various dates—conversion of debentures	1,583
Various dates—exercise of warrants	812
Outstanding, August 31, 1971	14,513,611

(a) See Registration Statement on Form S-1 (Reg. No. 2-38902) of Loews Corporation, filed with the Securities and Exchange Commission, effective February 1, 1971.

ITEM 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS.

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	Approximately 11,600 as of November 19, 1971

72593729

ITEM 8. EXECUTIVE OFFICERS OF THE REGISTRANT.

Name and Age	Position and Offices Held
Laurence A. Tisch (48)	Chairman of the Board and Chief Executive Officer
Preston Robert Tisch (45)	President and Chairman of the Executive Committee
Lester Pollack (38)	Senior Vice President
Bernard Myerson (53)	Executive Vice President
Arthur J. Raporte (54)	Vice President
Barry Hirsch (38)	Secretary and General Counsel
Jacob Stillman (55)	Treasurer

The Messrs. Tisch are brothers. None of the other above-listed executive officers of Registrant is related to any other of the above-listed executive officers of Registrant.

ITEM 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Information contained under Item 29 of Part II of the Post-Effective Amendment relating to Indemnification of Directors and Officers is incorporated herein by reference thereto.

ITEM 10. FINANCIAL STATEMENTS AND EXHIBITS FILED.

(a) Financial Statements:

The financial statements and schedules of Registrant and of Registrant and subsidiaries are hereby incorporated herein by reference to the indicated pages of the Post-Effective Amendment as follows:

	Page Number in Post-Effective Amendment
(1) Included in the Prospectus:	
Statement of consolidated earnings for the five years ended August 31, 1971	11 to 12
Balance sheet of the Company and consolidated balance sheet of the Company and Subsidiaries at August 31, 1971 and 1970	33, 34 to 35
Statement of changes in consolidated financial position for the three years ended August 31, 1971	36
Statement of consolidated earnings retained in the business for the five years ended August 31, 1971	37
Statement of consolidated additional paid-in capital for the five years ended August 31, 1971	37
Statement of earnings of the Company for the year ended August 31, 1971	39
Statement of changes in financial position of the Company for the year ended August 31, 1971	39
Notes to financial statements	40–48
(2) Included in Part II:	
Schedules—Loews Corporation and Subsidiaries:	
Schedule I—Investment in securities at August 31, 1971 and 1970	S-1 to S-3; S-11 to S-13
Schedule V—Property, plant and equipment for the two years ended August 31, 1971	S-4; S-14
Schedule VI—Accumulated depreciation and amortization of property, plant and equipment for the two years ended August 31, 1971	S-5; S-15
Schedule VII—Intangible assets for the two years ended August 31, 1971	S-6; S-16
Schedule IX—Long-term debt at August 31, 1971 and 1970	S-7; S-17
Schedule XII—Reserves for the two years ended August 31, 1971	S-8; S-18
Schedule XIII—Capital shares at August 31, 1971 and 1970	S-9; S-19
Schedule XIV—Warrants at August 31, 1971 and 1970	S-10; S-20

72593730

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable and have therefore been omitted.

The consent of independent public accountants to the incorporation by reference to their opinion contained in the Prospectus included in the Post-Effective Amendment referred to above is included elsewhere herein.

(b) **Exhibits:**

1 —Computation of Earnings Per Share Assuming Full Dilution (Incorporated herein by reference to Exhibit 14 to the Post-Effective Amendment).

In compliance with Rule 12b-34 under the Securities Exchange Act of 1934, the following are the "basic documents" of the Registrant, as defined in the aforementioned Rule:

1(a) —Certificate of Incorporation of Loews Corporation filed November 12, 1969—filed as Exhibit 3(a) to Registration Statement on Form S-1 (Reg. No. 2-38902) filed with the Securities and Exchange Commission on November 25, 1970.

1(b) —Agreement and Plan of Merger between Loew's Theatres, Inc., Loew's T. I. Corp. and Loews Corporation dated as of November 14, 1969—filed as Exhibit No. 2 to Registration Statement on Form S-1 (Reg. No. 2-38902) filed with the Securities and Exchange Commission on November 25, 1970.

1(c) —Certificate of Amendment of Certificate of Incorporation of Loews Corporation filed December 21, 1970—filed as Exhibit 3(c) to Pre-Effective Amendment No. 1 to Registration Statement on Form S-1 (Reg. No. 2-38902) filed with the Securities and Exchange Commission on January 14, 1971.

2(a) —By-Laws of Loews Corporation—filed as Exhibit 3(b) to Registration Statement on Form S-1 (Reg. No. 2-38902) filed with the Securities and Exchange Commission on November 25, 1970.

3(a) —Specimen of Common Stock Certificate—filed as Exhibit 4 to Pre-Effective Amendment No. 1 to Registration Statement on Form S-1 (Reg. No. 2-38902) filed with the Securities and Exchange Commission on January 14, 1971.

PART II

Information called for by Part II has been omitted, as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

72593731

SIGNATURE

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

LOEWS CORPORATION
(Registrant)

By JACOB STILLMAN
Jacob Stillman, Treasurer

Date: November 29, 1971.

72593732

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

LOEWS CORPORATION:

We hereby consent to the incorporation by reference in your annual report on Form 10-K which you are filing with the Securities and Exchange Commission for the year ended August 31, 1971, of our opinion dated October 21, 1971 appearing in Post-Effective Amendment No. 2 to Registration Statement No. 2-38902 on Form S-1 of Loews Corporation filed with the Securities and Exchange Commission on November 29, 1971, relating to the financial statements for the two years ended August 31, 1971.

We also consent to our opinion referred to above being considered as comprehending our opinion that the financial schedules for the two years ended August 31, 1971, as listed in Item 31(a) of the same Amendment to Registration Statement, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

HASKINS & SELLS

New York, N. Y.
November 29, 1971

72593733

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Fiscal Year Ended August 31, 1972 — Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue, New York, N. Y.	10019
(Address of principal executive offices)	(Zip Code)

(212) 586-4400
(Telephone)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all annual, quarterly and other reports required to be filed with the Commission and (2) has been subject to the filing requirements for at least the past 90 days.

Yes ✓ No _____

92750930

ITEM 1. BUSINESS.

Information regarding the business of Registrant and subsidiary companies is contained under the captions "THE COMPANY" and "BUSINESS AND PROPERTY" of the Prospectus included in Post-Effective Amendment No. 3 to Registrant's Registration Statement on Form S-1 (File No. 2-38902) filed with the Securities and Exchange Commission on November 29, 1972 (hereinafter referred to as the "Post-Effective Amendment"), which is incorporated herein by reference thereto. A copy of the Post-Effective Amendment is filed herewith as Annex A.

ITEM 2. SUMMARY OF OPERATIONS.

The summary of operations for Registrant and its subsidiaries consolidated is incorporated herein by reference to the "STATEMENT OF CONSOLIDATED EARNINGS" and the related NOTES thereto of the Prospectus included in the Post-Effective Amendment.

ITEM 3. PROPERTIES.

Information relating to the properties of Registrant and its subsidiaries is contained under the caption "BUSINESS AND PROPERTY" of the Prospectus included in the Post-Effective Amendment, incorporated herein by reference thereto.

ITEM 4. PARENTS AND SUBSIDIARIES.

Information contained under Item 27 of Part II of the Post-Effective Amendment relating to the subsidiaries of Registrant is incorporated herein by reference thereto. See also "Principal Shareholders"

ITEM 5. PENDING LEGAL PROCEEDINGS.

Information contained under the caption "PENDING LEGAL PROCEEDINGS" of the Prospectus included in the Post-Effective Amendment is incorporated herein by reference thereto.

ITEM 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES.

(a)

Date		Shares of Common Stock, Par Value $1 Per Share
	Outstanding, August 31, 1971	14,513,611
	Increases during year:	
September 1, 1971 to August 31, 1972	Shares issued under Substitute Stock Options	39,228
September 15, 1971 to August 10, 1972	Shares issued under Loews Key Employees' Qualified Stock Option Plan	12,360
November 9, 1971 to July 20, 1972	Conversion of 5½% Convertible Subordinated Debentures	1,762
September 3, 1971 to August 18, 1972	Exercise of Warrants	112,471
	Outstanding, August 31, 1972	14,679,432

(b) Information contained under Item 26 of Part II of the Post-Effective Amendment, relating to sales of unregistered securities in reliance upon an exemption from registration provided by Section 4(2) of the Securities Act of 1933, is incorporated herein by reference thereto.

ITEM 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS.

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	Approximately 11,068 as of November 24, 1972

92750931

ITEM 8. EXECUTIVE OFFICERS OF THE REGISTRANT.

Name and Age	Position and Offices Held
Laurence A. Tisch (49)	Chairman of the Board and Chief Executive Officer
Preston Robert Tisch (46)	President and Chairman of the Executive Committee
Lester Pollack (39)	Senior Vice President
Bernard Myerson (54)	Executive Vice President
Arthur J. Raporte (55)	Vice President
Gerald Diamond (57)	Vice President
William P. McQuinn (36)	Vice President—Financial Services
Jacob Stillman (56)	Treasurer
Barry Hirsch (39)	Secretary

The Messrs. Tisch are brothers. None of the other above-listed executive officers of Registrant is related to any other of the above-listed executive officers of Registrant.

ITEM 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Information contained under Item 29 of Part II of the Post-Effective Amendment relating to Indemnification of Directors and Officers is incorporated herein by reference thereto.

ITEM 10. FINANCIAL STATEMENTS AND EXHIBITS FILED.

(a) Financial Statements:

The financial statements and schedules of Registrant and of Registrant and subsidiaries are hereby incorporated herein by reference to the indicated pages of the Post-Effective Amendment as follows:

	Page Number in Post-Effective Amendment
(1) Included in the Prospectus:	
Statement of consolidated earnings for the five years ended August 31, 1972 ...	9
Balance sheet of the Company and consolidated balance sheet of the Company and Subsidiaries at August 31, 1972 and 1971	36 & 37
Statement of changes in consolidated financial position for the three years ended August 31, 1972	34
Statement of consolidated earnings retained in the business for the five years ended August 31, 1972	35
Statement of consolidated additional paid-in capital for the five years ended August 31, 1972	35
Statement of earnings of the Company for the two years ended August 31, 1972	37
Statement of changes in financial position of the Company for the two years ended August 31, 1972	37
Notes to financial statements	38
(2) Included in Part II:	
Schedules—Loews Corporation and Subsidiaries:	
Schedule I—Marketable securities at August 31, 1972 and 1971	S- 1 & S-11
Schedule V—Property, plant and equipment for the two years ended August 31, 1972	S- 4 & S-14
Schedule VI—Accumulated depreciation and amortization of property, plant and equipment for the two years ended August 31, 1972	S- 5 & S-15
Schedule VII—Intangible assets for the two years ended August 31, 1972	S- 6 & S-16
Schedule IX—Bonds, mortgages, and similar debt at August 31, 1972 and 1971	S- 7 & S-17
Schedule XII—Valuation and qualifying accounts and reserves for the two years ended August 31, 1972	S- 8 & S-18
Schedule XIII—Capital shares at August 31, 1972 and 1971	S- 9 & S-19
Schedule XIV—Warrants at August 31, 1972 and 1971	S-10 & S-20

92750932

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable and have therefore been omitted.

The consent of independent public accountants to the incorporation by reference to their opinion contained in the Prospectus included in the Post-Effective Amendment referred to above is included elsewhere herein.

(b) **Exhibits:**

1. —Computation of Earnings Per Share Assuming Full Dilution for the Five Years Ended August 31, 1972.

PART II

Information called for by Part II has been omitted, as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

92750933

SIGNATURE

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.

LOEWS CORPORATION
(Registrant)

By JACOB STILLMAN
Jacob Stillman, Treasurer

Date: November 29, 1972.

92750934

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

LOEWS CORPORATION:

We hereby consent to the incorporation by reference in your annual report on Form 10-K which you are filing with the Securities and Exchange Commission for the year ended August 31, 1972, of our opinion dated October 26, 1972 appearing in Post-Effective Amendment No. 3 to Registration Statement No. 2-38902 on Form S-1 of Loews Corporation filed with the Securities and Exchange Commission on November 29, 1972, relating to the financial statements for the two years ended August 31, 1972.

We also consent to our opinion referred to above being considered as comprehending our opinion that the financial schedules for the two years ended August 31, 1972, as listed in Item 31(a) of the same Amendment to Registration Statement, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

HASKINS & SELLS

New York, N. Y.
November 29, 1972

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EXHIBIT 1

LOEWS CORPORATION AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE ASSUMING FULL DILUTION

For the Five Years Ended August 31, 1972

	In Thousands, except per share amounts				
	1968 (See Note)	1969	1970	1971	1972
Computation of Fully Diluted Net Earnings:					
Earnings before security gains (losses) and extraordinary items	$12,659	$24,617	$34,270	$46,331	$53,170
Assumed adjustments resulting from dilution computation—add:					
Reduction of interest and debt discount expenses on debt assumed converted, net of applicable Federal income tax		4,013	7,991	8,436	8,424
Fully diluted earnings before security gains (losses) and extraordinary items	12,659	28,630	42,261	54,767	61,594
Security gains (losses)—net	7,364	1,722	(5,624)	18,596	13,522
Extraordinary items	15,165	5,283			2,929
Fully diluted net earnings	$35,188	$35,635	$36,637	$73,363	$78,045
Computation of Fully Diluted Shares:					
Shares used for computation of primary earnings per share per statements of consolidated earnings (Note 1)	14,305	14,399	14,445	14,476	14,567
Add shares assumed to be issued upon:					
Exercise of warrants		3,239	6,478	6,478	6,461
Exercise of common stock options, net of repurchase with proceeds from exercise thereof		52	19	36	33
Conversion of convertible debentures		5	5	8	5
Fully diluted shares	14,305	17,695	20,947	20,998	21,066
Earnings per share assuming full dilution:					
Earnings before security gains (losses) and extraordinary items		$1.62	$2.02	$2.61	$2.92
Security gains (losses)—net		.09	(.27)	.89	.64
Extraordinary items		.30			.14
Fully diluted earnings per share		$2.01	$1.75	$3.50	$3.70

NOTE—After giving effect to 2½-for-1 stock split in January 1968 and 3-for-1 stock split in November 1968.

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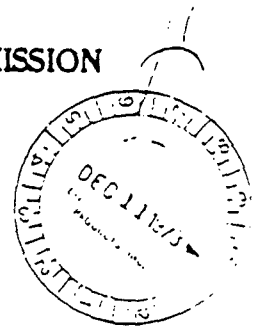
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549



FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Fiscal Year Ended August 31, 1973 — Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue, New York, N. Y. (Address of principal executive offices)	10019 (Zip Code)

(212) 586-4400
(Telephone)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all annual, quarterly and other reports required to be filed with the Commission and (2) has been subject to the filing requirements for at least the past 90 days.

Yes ✓ No _____

72593666

ITEM 1. BUSINESS.

Information regarding the business of Registrant and its subsidiaries is contained under the captions "THE COMPANY" and "BUSINESS AND PROPERTY" of the Prospectus included in Post-Effective Amendment No. 4 to Registrant's Registration Statement on Form S-1 (File No. 2-38402) filed with the Securities and Exchange Commission on November 20, 1973 (hereinafter referred to as the "Post-Effective Amendment"), which is incorporated herein by reference thereto. A copy of the Post-Effective Amendment is filed herewith as Annex A.

ITEM 2. SUMMARY OF OPERATIONS.

The summary of operations for Registrant and its consolidated subsidiaries is incorporated herein by reference to the "STATEMENTS OF CONSOLIDATED EARNINGS, EARNINGS RETAINED IN THE BUSINESS AND ADDITIONAL PAID-IN CAPITAL" and the related Notes thereto of the Prospectus included in the Post-Effective Amendment.

ITEM 3. PROPERTIES.

Information relating to the properties of Registrant and its subsidiaries is contained under the caption "BUSINESS AND PROPERTY" of the Prospectus included in the Post-Effective Amendment, incorporated herein by reference thereto.

ITEM 4. PARENTS AND SUBSIDIARIES.

Information contained under Item 27 of Part II of the Post-Effective Amendment relating to the subsidiaries of Registrant is incorporated herein by reference thereto. See also "Principal Shareholders"

ITEM 5. PENDING LEGAL PROCEEDINGS.

Information contained under the caption "PENDING LEGAL PROCEEDINGS" of the Prospectus included in the Post-Effective Amendment is incorporated herein by reference thereto.

ITEM 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES.

(a)

Date		Shares of Common Stock, Par Value $1 Per Share
	Outstanding, August 31, 1972	14,679,000
	Increases during year:	
September 5, 1972 to January 15, 1973	Shares issued under Substitute Stock Options	6,000
October 4, 1972 to December 6, 1972	Shares issued under Loews Key Employees' Qualified Stock Option Plan	8,000
November 2, 1972 to December 15, 1972	Conversion of 5½% Convertible Subordinated Debentures	4,000
September 8, 1972 to February 23, 1973	Exercise of Warrants	90,000
		14,787,000
March 12, 1973 to August 15, 1973	Decreases during year: Acquisition of Treasury shares	1,729,000
	Outstanding, August 31, 1973	13,058,000

(b) Information contained under Item 26 of Part II of the Post-Effective Amendment, relating to sales of unregistered securities in reliance upon an exemption from registration provided by Section 4(2) of the Securities Act of 1933, is incorporated herein by reference thereto.

ITEM 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS.

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	Approximately 11,461 as of November 20, 1973

2259367

ITEM 8. EXECUTIVE OFFICERS OF THE REGISTRANT.

Name	Position and Offices Held	Age	First Became Officer
Laurence A. Tisch	Director, Chairman of the Board and Chief Executive Officer	50	1959
Preston R. Tisch	Director, President and Chairman of the Executive Committee	47	1960
Lester Pollack	Director and Senior Vice President	40	1965
Bernard Myerson	Director and Executive Vice President	55	1963
Arthur J. Raporte	Vice President	53	1960
Gerald Diamond	Vice President	38	1972
Robert J. Hausman	Vice President	50	1973
Roy E. Posner	Vice President—Financial Services	40	1973
Jacob Stillman	Treasurer	57	1958
Barry Hirsch(1)	Secretary and General Counsel	40	1971

The Messrs. Tisch are brothers. None of the other officers or directors of the Registrant is related to any other.

(1) Mr. Hirsch was elected Secretary of the Registrant on November 3, 1971. He has served as General Counsel of the Registrant since October 15, 1971. From June, 1969 to October, 1971, he was Vice President, Secretary and a director of B.T.B. Corporation, New York, New York and for more than five years prior thereto he was a partner in the New York City law firm of Seligson & Morris.

With the exception of Mr. Hirsch, all executive officers of the Registrant have been engaged actively and continuously in the business of Registrant, its predecessors or subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

ITEM 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Information contained under Item 29 of Part II of the Post-Effective Amendment relating to Indemnification of Directors and Officers is incorporated herein by reference thereto.

ITEM 10. FINANCIAL STATEMENTS AND EXHIBITS FILED.

(a) **Financial Statements:**

The financial statements and schedules of Registrant and of Registrant and subsidiaries are hereby incorporated herein by reference to the indicated pages of the Post-Effective Amendment as follows:

	Page Number in Post-Effective Amendment
(1) Included in the Prospectus:	
Statement of consolidated earnings for the five years ended August 31, 1973	11
Balance sheet of the Company and consolidated balance sheet of the Company and Subsidiaries at August 31, 1973 and 1972	38 & 34
Statement of changes in consolidated financial position for the three years ended August 31, 1973	36
Statement of consolidated earnings retained in the business for the five years ended August 31, 1973	37
Statement of consolidated additional paid-in capital for the five years ended August 31, 1973	37
Statement of earnings of the Company for the three years ended August 31, 1973	40
Statement of changes in financial position of the Company for the three years ended August 31, 1973	41
Notes to financial statements	42

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(2) Included in Part II:

	Page Number in Post-Effective Amendment
Schedules:	
Schedule I—Marketable securities at August 31, 1973 and 1972	S- 1 & S-12
Schedule V—Property, plant and equipment for the two years ended August 31, 1973	S- 5 & S-15
Schedule VI—Accumulated depreciation and amortization of property, plant and equipment for the two years ended August 31, 1973	S- 6 & S-16
Schedule VII—Intangible assets for the two years ended August 31, 1973	S- 7 & S-17
Schedule IX—Bonds, mortgages, and similar debt at August 31, 1973 and 1972	S- 8 & S-18
Schedule XII—Valuation and qualifying accounts and reserves for the two years ended August 31, 1973	S- 9 & S-19
Schedule XIII—Capital shares at August 31, 1973 and 1972	S-10 & S-20
Schedule XIV—Warrants at August 31, 1973 and 1972	S-11 & S-21

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are omitted because of the absence of the condition under which they are required, or because the information required therein is set forth in the financial statements or the notes thereto.

The consent of independent certified public accountants to the incorporation by reference to their opinion contained in the Prospectus included in the Post-Effective Amendment referred to above is included elsewhere herein.

(b) **Exhibits:**

1. —Computation of Earnings Per Share Assuming Full Dilution for the Five Years Ended August 31, 1973.

PART II

Information called for by Part II has been omitted, as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

22593669

SIGNATURES

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.

[illegible] CORPORATION
(Registrant)

By _____
Jacob Stillman, Treasurer

[illegible] 25, 1973

72593670

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

LOEWS CORPORATION:

We hereby consent to the incorporation by reference in your annual report on Form 10-K which you are filing with the Securities and Exchange Commission for the year ended August 31, 1973, of our opinion dated October 31, 1973 (November 26, 1973 as to the last paragraph in Note 1 to financial statements) appearing in Post-Effective Amendment No. 4 to Registration Statement No. 2-38602 on Form S-8 of Loews Corporation filed with the Securities and Exchange Commission on November 29, 1973, relating to the financial statements for the two years ended August 31, 1973.

We also consent to our opinion referred to above being considered as comprehending our opinion that the financial schedules for the two years ended August 31, 1973, as listed in Item 31(a) of the same Amendment to Registration Statement, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

HASKINS & SELLS

New York, N. Y.
November 29, 1973

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

PROCESSED BY
RECEIVED
DEC 04 1974
DISCLOSURE INCORPORATED

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Fiscal Year Ended August 31, 1974 — Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-2646102 (I.R.S. Employer Identification No.)
666 Fifth Avenue, New York, N. Y. (Address of principal executive offices)	10019 (Zip Code)

(212) 586-4400
(Telephone)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all annual, quarterly and other reports required to be filed with the Commission and (2) has been subject to the filing requirements for at least the past 90 days.

Yes ✓ No _____

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ITEM 1. BUSINESS.

Information regarding the business of Registrant and subsidiary companies contained under the captions "THE COMPANY" and "BUSINESS AND PROPERTY" of the Prospectus included in Post-Effective Amendment No. 6 to Registrant's Registration Statement on Form S-1 (File No. 2-38902) filed with the Securities and Exchange Commission on November 26, 1974 (hereinafter referred to as the "Post-Effective Amendment"), is incorporated herein by reference thereto. A copy of the Post-Effective Amendment is filed herewith as Annex A.

ITEM 2. SUMMARY OF OPERATIONS.

The summary of operations for Registrant and its consolidated subsidiaries is incorporated herein by reference to the "STATEMENTS OF CONSOLIDATED EARNINGS, EARNINGS RETAINED IN THE BUSINESS AND ADDITIONAL PAID-IN CAPITAL" and the related NOTES thereto of the Prospectus included in the Post-Effective Amendment.

ITEM 3. PROPERTIES.

Information relating to the properties of Registrant and its subsidiaries is contained under the caption "BUSINESS AND PROPERTY" of the Prospectus included in the Post-Effective Amendment, and is incorporated herein by reference thereto.

ITEM 4. PARENTS AND SUBSIDIARIES.

Information contained under Item 27 of Part II of the Post-Effective Amendment relating to the subsidiaries of Registrant is incorporated herein by reference thereto. See also "Principal Shareholders".

ITEM 5. PENDING LEGAL PROCEEDINGS.

Information contained under the caption "PENDING LEGAL PROCEEDINGS" of the Prospectus included in the Post-Effective Amendment is incorporated herein by reference thereto.

ITEM 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES.

(a)

Date		Shares of Common Stock, Par Value $1 Per Share
	Outstanding, August 31, 1973	13,058,000
September 5, 1973 to September 7, 1973	Decreases during year— Acquisition of Treasury shares	140,000
	Outstanding, August 31, 1974	12,918,000

(b) None.

ITEM 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS.

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	Approximately 11,960 as of October 18, 1974

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ITEM 8. EXECUTIVE OFFICERS OF THE REGISTRANT.

Information relating to executive officers of the Registrant contained under the caption "Management" of the Prospectus included in the Post-Effective Amendment, is incorporated herein by reference thereto.

ITEM 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Information contained under Item 29 of Part II of the Post-Effective Amendment, relating to Indemnification of Directors and Officers, is incorporated herein by reference thereto.

ITEM 10. FINANCIAL STATEMENTS AND EXHIBITS FILED.

(a) **Financial Statements:**

The financial statements and schedules of Registrant and of Registrant and subsidiaries and of Wheeling-Pittsburgh Steel Corporation are hereby incorporated herein by reference to the indicated pages of the Post-Effective Amendment as follows:

	Page Number in Post-Effective Amendment
(1) Included in the Prospectus:	
The Registrant and the Registrant and Subsidiaries:	
Statement of consolidated earnings for the five years ended August 31, 1974	11
Balance sheet of the Company and consolidated balance sheet of the Company and Subsidiaries at August 31, 1974 and 1973	44 & 40
Statement of changes in consolidated financial position for the four years ended August 31, 1974	42
Statement of consolidated earnings retained in the business for the five years ended August 31, 1974	43
Statement of consolidated additional paid-in capital for the five years ended August 31, 1974	43
Statement of earnings of the Company for the four years ended August 31, 1974	46
Statement of changes in financial position of the Company for the four years ended August 31, 1974	47
Notes to financial statements	48
Wheeling-Pittsburgh Steel Corporation:	
Additional financial data	F-3
Consolidated statement of income and accumulated earnings for the years ended December 31, 1973 and 1972	9
Consolidated balance sheet at December 31, 1973 and 1972	10
Consolidated statement of changes in financial position for the years ended December 31, 1973 and 1972	12
Notes to financial statements	13

72593570

	Page Number in Post-Effective Amendment
(2) Included in Part II:	
Schedules:	
The Registrant and the Registrant and Subsidiaries:	
Schedule I—Marketable securities at August 31, 1974 and 1973	S- 1 & S-13
Schedule III—Investments in, equity in earnings of, and dividends received from affiliates and other persons for the two years ended August 31, 1974	S- 5 & S-17
Schedule V—Property, plant and equipment for the two years ended August 31, 1974	S- 6 & S-18
Schedule VI—Accumulated depreciation and amortization of property, plant and equipment for the two years ended August 31, 1974	S- 7 & S-19
Schedule VII—Intangible assets for the two years ended August 31, 1974	S- 8 & S-20
Schedule IX—Bonds, mortgages, and similar debt at August 31, 1974 and 1973	S- 9 & S-21
Schedule XII—Valuation and qualifying accounts and reserves for the two years ended August 31, 1974	S-10 & S-22
Schedule XIII—Capital shares at August 31, 1974 and 1973	S-11 & S-23
Schedule XIV—Warrants at August 31, 1974 and 1973	S-12 & S-24
Wheeling-Pittsburgh Steel Corporation:	
Schedule V—Property, plant and equipment for the two years ended December 31, 1973	F-7
Schedule VI—Reserves for depreciation and amortization of property, plant and equipment for the two years ended December 31, 1973	F-8
Schedule XII—Valuation and qualifying accounts and reserves for the two years ended December 31, 1973	F-9

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are omitted because of the absence of the conditions under which they are required, or because the information required therein is set forth in the financial statements or the notes thereto.

The consents of independent certified public accountants to the incorporation by reference to their opinions contained in the Prospectus included in the Post-Effective Amendment referred to above is included elsewhere herein.

(b) Exhibits:

1. —Computation of Earnings Per Share Assuming Full Dilution for the Five Years Ended August 31, 1974.

PART II

Information called for by Part II has been omitted, as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

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SIGNATURES

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.

LOEWS CORPORATION
(Registrant)

By Roy E. Posner
Roy E. Posner, Vice President Financial Services

Date: November 26, 1974

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CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

LOEWS CORPORATION:

We hereby consent to the incorporation by reference in your annual report on Form 10-K which you are filing with the Securities and Exchange Commission for the year ended August 31, 1974 of our opinion dated November 19, 1974, which opinion is qualified as therein set forth, appearing in Post-Effective Amendment No. 6 to Registration Statement No. 2-38902 on Form S-1 of Loews Corporation filed with the Securities and Exchange Commission on November 26, 1974, relating to the financial statements for the two years ended August 31, 1974.

We also consent to our opinion referred to above being considered as comprehending our opinion that the financial schedules of the Company and the Company and Subsidiaries for the two years ended August 31, 1974, as listed in Item 31(a) of the same Amendment to Registration Statement, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

HASKINS & SELLS

New York, N. Y.
November 25, 1974

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the annual report on Form 10-K of Loews Corporation which is being filed with the Securities and Exchange Commission for the year ended August 31, 1974 of our report dated February 27, 1974, except as to Note H, which is as of November 25, 1974, appearing in Post-Effective Amendment No. 6 to Registration Statement No. 2-38902 on Form S-1 of Loews Corporation filed with the Securities and Exchange Commission on November 26, 1974, relating to the financial statements of Wheeling-Pittsburgh Steel Corporation for the two years ended December 31, 1973. We also consent to the application of our report to the Additional Financial Data listed in the Index to Financial Statements of Wheeling-Pittsburgh Steel Corporation appearing on page F-1 of the Registration Statement when that data is read in conjunction with the financial statements referred to in our report.

PRICE WATERHOUSE & Co.

Pittsburgh, Pennsylvania
November 25, 1974

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

SEC FILE RECEIVED
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FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Year Ended December 31, 1975 — Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue, New York, N. Y.	10019
(Address of principal executive offices)	(Zip Code)

(212) 586-4400
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No ____

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Item 1. BUSINESS

Loews Corporation (hereinafter together with its subsidiaries referred to as the "Company" or the "Registrant") is a holding company which, primarily through its subsidiaries, is engaged in the production and sale of cigarettes and other tobacco products, the operation of hotels, development of residential real estate and related financial activities, through its approximately 57% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life), financial services and asset management.

Lines of Business

The following table sets forth the major sources from which the Company's consolidated revenues and earnings were derived and the percentage of revenues and the percentage of earnings (losses) before interest expense, income taxes, minority interest and extraordinary items represented by such sources, for the periods indicated.

	Revenues*						Earnings (Losses) Before Interest Expense, Income Taxes, Minority Interest and Extraordinary Items*					
	Year Ended December 31, 1975	Four Months Ended December 31, 1974**	Years Ended August 31, 1974	1973	1972	1971	Year Ended December 31, 1975	Four Months Ended December 31, 1974**	Years Ended August 31, 1974	1973	1972	1971
	(In percents)											
Property and casualty insurance	29.3						25.1					
Life insurance	35.0						6.5					
Sales of tobacco products, principally cigarettes	24.8	76.7	76.5	76.0	69.4	71.3	25.6	38.7	58.6	54.8	50.2	50.3
Hotels	2.5	8.1	8.4	7.6	13.7	15.5	3.7	12.8	11.0	6.9	11.6	12.3
Theatres	1.4	3.7	4.0	4.1	5.8	5.3	2.0	1.4	4.1	4.3	3.4	3.7
Residential development	1.2	4.5	4.5	5.7	5.8	4.4	(3.3)	(5.5)	(10.0)	4	7	1.6
Financial services	3.7						13.0					
Investment income—net	6	4.1	3.8	3.7	3.0	1.9	6.9	21.5	26.7	20.3	16.4	9.3
Equity income in associated companies							1.4	23.4	3.5		1.9	3.2
Other	1.5	2.9	2.8	2.9	2.3	1.6	1.9	(2.0)	1.0	1.0	.7	
Realized investment gains (losses)							17.7	(.3)	1	11.7	15.1	19.9

* The acquisition of a controlling interest in CNA was effective as of December 31, 1974. Accordingly, no effect of such investment is reflected in the foregoing table for periods prior to the year ended December 31, 1975 (other than dividends earned prior to the acquisition date which are not significant in relation to total revenues or earnings for the respective periods). See Note 1 of Notes to Consolidated Financial Statements—"Cost in excess of net assets acquired—CNA", and Schedule III hereto, for information concerning purchase value adjustments relating to consolidation of the revenues and earnings of CNA.

** The Company, effective December 31, 1974, changed its fiscal year from a year ending August 31 to a year ending December 31.

CNA Financial Corporation

The Company acquired in 1974 and 1975 approximately 57% of the outstanding voting shares of CNA, including shares of CNA acquired in the open market and through a tender offer in November 1974; through the purchase from CNA of a new issue of Series C Convertible Preferred Stock for $25,000,000 in December 1974; and through the purchase from CNA of a new issue of Series D Convertible Junior Preferred Stock for $50,000,000 in May 1975. (See "Item 3—Legal Proceedings—Litigation Relating to CNA" herein.) The tabular information herein relating to CNA is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisitions of CNA shares.

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CNA, operating through subsidiaries, is primarily engaged in insurance (casualty, property, life and accident and health), financial services and related asset management. CNA's casualty insurance operations are conducted by Continental Casualty Company and its affiliates (Casualty), its life insurance business primarily by Continental Assurance Company (Assurance), and its financial services business by General Finance Corporation (General). In addition, CNA has interests in mutual fund management and other investment advisory services, a medical and dental supply company, patient-care facilities in several states, cable TV systems, and real estate development and related activities primarily through The Larwin Group, Inc. (Larwin). CNA has written off its entire investment in Larwin—see note (d) below and Note M of CNA's Notes to Financial Statements.

The following tables set forth the combined gross income and the operating income (loss) before income taxes for each of the major affiliates of CNA for the five years ended December 31, 1975, except for Larwin which is not included subsequent to September 30, 1974—see Note (d) below.

	1975	1974	Restated(a) 1973	1972	1971
			(In millions of dollars)		
Combined gross income:					
Continental Casualty Company—casualty insurance (b) and (c)	$ [illegible]6	$ 881.1	$ 847.1	$ [illegible]2	$ [illegible]9
Continental Assurance Company—life insurance (c)	915.1	845.1	853.0	408.1	[illegible]3
General Finance Corporation—finance operation	[illegible]	[illegible]2	[illegible]	[illegible]	[illegible]
All other income	[illegible]	[illegible]5	[illegible]2	[illegible]9	[illegible]
	[illegible]	[illegible]9	[illegible]4	[illegible]	[illegible]4
The Larwin Group, Inc.—real estate development (d)		[illegible]5	[illegible]	[illegible]	[illegible]
Combined gross income	[illegible]	[illegible]4	[illegible]	[illegible]	[illegible]4
Operating income (loss)—before income taxes:					
Continental Casualty Company (b), (c) and (e)	$ [illegible]	$ (150.6)	$ [illegible]2	$ [illegible]	$ [illegible]
Continental Assurance Company (c)	[illegible]	26.9	[illegible]	[illegible]	[illegible]
General Finance Corporation (f)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other affiliates and elimination of intercompany transactions	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expenses of the parent company (f)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The Larwin Group, Inc. (d)		[illegible]	[illegible]	[illegible]	[illegible]
Provision for loss on CNA's investment in Larwin and related commitments (d)		[illegible]			
Operating income (loss)—before income taxes	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]

(a) In accordance with new accounting standards, Casualty has eliminated its catastrophe reserves, and consequently, restated the years 1971 through 1974—see Note A of CNA's Notes to Financial Statements. Certain amounts applicable to prior years have been reclassified to conform to classifications followed in 1975.

(b) The gross income and operating results of Casualty's unconsolidated affiliates, other than Assurance, are included with other affiliates. Casualty's operating income is shown net of minority interest.

(c) Although Casualty's premium volume increased every year from 1971 through 1973, income was modified as the result of a reinsurance agreement whereby Casualty ceded approximately 85% of its accident and health insurance to Assurance. Consequently, the gross income of Assurance rose during this period. In 1975 and 1974 Casualty's premium volume declined as a result of management actions to restore underwriting profitability. In 1975 the losses on the reinsurance from Casualty accounted for the decline in operating results of Assurance.

(d) CNA's Board of Directors determined in September 1974 to limit CNA's losses in Larwin to its investment in Larwin and related commitments. Consequently, operating results of Larwin are not included subsequent to September 30, 1974. The principal factors contributing to Larwin's 1974 reported operating losses were: increased costs of labor and material; high interest rates; the expense of carrying land inventory; the scarcity of mortgage money; and decline in demand for new homes—see Note M of CNA's Notes to Financial Statements.

(e) During 1974 and 1973 it became necessary for Casualty to increase the claim liability for claims incurred in prior years. The strengthening resulted primarily from inflationary pressures, higher jury awards and increased litigation costs. During 1974 operating expenses increased due to the impact of

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[illegible] and to a charge for additional amortization of deferred acquisition expenses attributable to a reduction of premiums in force during the year and a limit on the amount of expense that was deferrable because of unfavorable claim experience.

(c) The changes in General's operating income during the past five years are primarily due to fluctuating interest costs of borrowed funds. The decline in the 1973 expenses of the Parent Company was the result of a new policy whereby the Parent allocated its general and administrative expenses to the major operating affiliates, and the result of improved investment results—see Notes A and D of CNA's Notes to Financial Statements. The losses in prior years were attributable to increases in net investment expense and general and administrative expenses which were not allocated.

In 1975, as in 1972, CNA's operating income increased primarily due to improved underwriting results of Casualty and increased investment income. The net losses in 1974 were a result of the large underwriting losses sustained by Casualty and the loss incurred related to Larwin—see Notes (a) and (c) above. The 1973 decline in operating income was attributable to increased claim losses and the corresponding underwriting losses of Casualty.

Continental Casualty Company

The casualty-property business of CNA is conducted by Casualty and its casualty insurance affiliates, operating as a group. Assurance was acquired by Casualty from CNA, the Parent Company, in 1975—see Note D of CNA's Notes to Financial Statements. The Casualty group and Assurance are the eleventh largest stock multiple line insurance group in the United States based on their combined premium volume for 1974.

Casualty is engaged primarily in the writing of automobile, casualty, workmen's compensation, fire and allied lines, fidelity and surety, accident and health insurance, and allied classes of insurance, including the acceptance of reinsurance from other companies. Casualty insurance is written in substantially all states of the United States, the District of Columbia, Puerto Rico, Canada and Great Britain.

Classes of Insurance Written: Casualty has a reinsurance agreement with Assurance whereby approximately 85% of its accident and health business is ceded to Assurance—see Note (c) above. The following table summarizes by major class the amount of net premiums written (before and after reinsurance cession to Assurance) for the five years ended December 31, 1975 (in thousands of dollars):

	1975	1974	1973	1972	1971
Accident and Health (A & H):					
Group	$ 42,231	$ 34,085	$ [illegible]7,911	$ [illegible]5,506	$ 36,529
Other	29,552	36,802	[illegible]7,764	[illegible]3,906	23,052
Fire and Other Property Lines (a)	182,[illegible]78	184,253	204,458	176,218	134,909
Automobile (b)	113,463	117,755	145,501	144,278	142,941
Workmen's Compensation	148,122	151,124	171,295	134,960	100,573
Other Casualty (c)	110,239	114,477	144,247	119,962	110,336
Fidelity and Surety	10,395	8,224	9,[illegible]95	[illegible]0,110	[illegible]1,729
Reinsurance and International	76,567	49,221	54,[illegible]73	[illegible]9,615	[illegible]5,[illegible]99
Net Premiums Written (after cession to Assurance)	7[illegible]1,480	[illegible]3,341	815,9[illegible]	7[illegible]6,[illegible]95	938,[illegible]18
A & H reinsurance ceded to Assurance:					
Group	189,[illegible]5[illegible]	235,494	226,[illegible]9[illegible]	[illegible]1,420	219,9[illegible]
Other	100,209	[illegible]8,842	[illegible]1,[illegible]19	[illegible],[illegible]54[illegible]	[illegible]2,[illegible]5[illegible]
Total before cession to Assurance	$1,004,446	$1,063,[illegible]7[illegible]	$1,[illegible]52,636	$[illegible],[illegible]4[illegible],9[illegible]	$9[illegible],[illegible]1[illegible]

(a) Includes Extended Coverage, Tornado, Windstorm, Cyclone, Hail on Growing Crops, Personal Multiple Peril, Commercial Multiple Peril, Burglary, Glass, Riot and Civil Commotion, Vandalism and Malicious Mischief, Earthquake, Sprinkler Leakage and Water Damage, Aircraft Physical Damage, Nuclear Physical Damage, Inland and Ocean Marine, and Export Credit.

(b) Includes Bodily Injury, Property Damage and Physical Damage.

(c) Includes Bodily Injury and Property Damage (other than automobile) and Boiler and Machinery.

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Claim and Expense Ratio. The following tabulation shows for the last five years the ratio of claims incurred (stated to exclude catastrophe losses) (claim and claim adjustment expenses) and underwriting expenses incurred (including amortization of deferred acquisition costs, dividends to policyholders and allowance for doubtful accounts) to earned premiums:

Period	Earned Premiums (In thousands of dollars)	Claims and Claim Adjustment Expense Incurred	Underwriting Expenses Incurred	Total	Underwriting Profit (Loss)
19[illegible]	$[illegible]88	[illegible]%	28.1%	97.4%	2.6%
19[illegible]	207,956	64.3	28.4	92.7	7.3
19[illegible]	180,[illegible]4	73.2	27.3	100.5	(0.5)
19[illegible]	194,353	89.4	31.7	121.1	(21.1)
19[illegible]	178,224	75.4	32.6	108.0	(8.0)
Average		77.3%	29.7%	106.9%	(6.9)%

Marketing. Casualty has approximately 50,000 independent agents, brokers and other producers. A small percentage of the business written is produced by agents who write business exclusively for Casualty. The business written by Casualty's producers is supervised at the Home Office in Chicago as well as at the four regional offices and the 31 branch offices located in major cities of the United States, Puerto Rico, Canada and Great Britain.

Investment Results. The following table shows the investment results of Casualty for the last five years (in thousands of dollars):

Period	Cash and Invested Assets: Invested Cash (a)	Invested Assets (a)	Total	Net Investment Income (b)	Net Yield	Net Realized Gain or (Loss) (c)	Net Unrealized Gain or (Loss) (c) (d)
19[illegible]	$[illegible]69	$1,[illegible]52,[illegible]46	$1,[illegible]43,246	$[illegible]9,122	4.3%	$ 5,251	$ 16,759
19[illegible]	[illegible]446	1,339,138	1,340,[illegible]46	56,222	4.2	2,276	42,351
19[illegible]	3,275	460,594	[illegible]63,869	25,752	5.4	4,360	[illegible]67
19[illegible]	4,[illegible]56	[illegible]69,013	1,[illegible]74,254	42,212	3.5	1,251	[illegible]32,347
19[illegible]	3,[illegible]65	[illegible]49,[illegible]18	1,353,084	46,473	3.2	45,911	[illegible]38,946

(a) Average of amounts at beginning and end of period. For the period 1971-1974 these amounts have been restated to exclude operating cash and investments in unconsolidated affiliates.

(b) Net investment income is based on invested assets after deducting investment expenses and before income taxes. This differs from the reported investment income (see Note 4 of Casualty's Notes to Financial Statements) which includes income and expenses from sources other than invested assets.

(c) After applicable income taxes. The unrealized gains or losses are net of minority interest.

(d) The net unrealized gains or losses for the years 1971 through 1975 resulted from fluctuations in the market value of Casualty's investment portfolio. In 1975 a large part of the unrealized loss was a result of the sale of a substantial portion of the common stock portfolio as a result of which the majority of unrealized gain in the portfolio was eliminated. The unrealized gains or losses are not reflected in operating results but are reflected in the surplus of Casualty. The realized and unrealized investment results for the two years ended December 31, 1975 are shown in Note 3 of Casualty's Notes to Financial Statements included elsewhere herein.

In the past, Casualty has generally invested amounts equal to its policyholders' reserves in fixed income obligations and amounts equal to its capital and surplus in common stocks. Casualty is currently emphasizing investment in long-term bonds and, accordingly, substantially reduced its holdings in common stocks and commercial paper during 1975. The yield on the bond portfolio of Casualty is at a high level and market prices of some previously issued bonds are depressed, with the result that current market values of some bond holdings are substantially less than presumed carrying values. Common and preferred stocks, however, are carried at market value. The investments of the various companies comprising Casualty are regulated by the respective jurisdictions (Illinois, New York, Connecticut,



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Pennsylvania, California, Puerto Rico, Canada and Great Britain in which they are domiciled. These jurisdictions generally prescribe the types of investments and the amount of policyholder reserves, capital and surplus which may be invested in the permitted investment categories.

Continental Assurance Company *

Substantially all the life insurance business of CNA is conducted by Assurance, which is a stock life insurance company organized under the Illinois Insurance Code. Assurance operates in all states of the United States, the District of Columbia, Puerto Rico and Canada, writing all lines of life insurance, accident and health insurance and annuities, including variable annuities.

Assurance offers a wide variety of individual life, endowment and annuity policies on both a participating and a non-participating basis. Medical examinations of proposed insurees are required depending upon the medical history, age of the applicant and the amount of insurance. The maximum retention on one life is $1,000,000. A lower retention may result due to age and mortality classification. Assurance issues diverse forms of group term life insurance, group permanent life insurance and group annuities also on both bases. Group accident and health insurance is issued on a non-participating basis and the individual accident and health policies are issued on both bases. A substantial portion of the group accident and health and group term life non-participating business is subject to experience rating. Under experience rating, the policyholder shares in the profit, if any, on such business.

Growth in Business: The following tabulation sets forth the growth of Assurance's business (in thousands of dollars) for the five years ended December 31, 1975 in terms of life insurance in force, the amount of new life insurance paid for and premium income:

	1975	1974	1973	1972	1971
Life Insurance in Force					
Whole life and endowment	$ 4,596,549	$ 4,395,304	$ 4,142,856	$ 3,942,259	$ 3,760,774
Term and other policies	3,010,322	2,913,134	2,467,576	2,131,217	1,878,114
Additions by dividends	181,005	164,168	43,758	126,348	100,558
Total individual	7,788,876	7,472,656	6,773,870	6,190,134	5,739,448
Group	10,163,254	10,749,750	9,959,403	9,445,136	9,594,229
Total life insurance in force *	$17,952,130	$17,542,406	$16,733,273	$15,635,270	$15,333,677
Life Insurance Paid For					
Direct new business					
Whole life and endowment	$ 597,943	$ 586,899	$ 514,226	$ 473,154	$ 470,395
Term and other policies	311,340	417,407	385,720	240,310	268,264
Total individual	1,009,083	1,004,306	899,946	713,464	738,659
Group	914,160	427,050	705,360	563,154	337,219
Total direct new business	1,923,243	1,431,356	1,605,306	1,276,618	1,075,878
Individual assumed reinsurance	350,123	579,237	426,394	295,176	219,896
Group assumed reinsurance	29,473	1,575	196,535	17,397	46,847
Total life insurance paid for *	$ 2,302,849	$ 2,012,168	$ 2,228,235	$ 1,589,191	$ 1,342,621
Premium Income					
Individual life	$ 191,110	$ 180,953	$ 157,574	$ 139,124	$ 122,725
Individual A&H	102,774	101,259	102,446	104,363	106,039
Group life	113,031	115,316	116,782	115,138	116,783
Group A&H	384,329	384,976	362,793	353,317	353,435
Total premium income *	$ 791,274	$ 769,064	$ 739,531	$ 712,442	$ 697,002
a) Participating Life Insurance in Force is as follows:					
Individual	$ 2,583,792	$ 2,508,043	$ 2,375,270	$ 2,291,433	$ 2,178,161
Group	1,644,319	711,722	1,724,496	987,626	1,081,392
Total	$ 4,228,111	$ 4,219,775	$ 4,099,766	$ 4,279,059	$ 4,259,553
b) Participating Life Insurance Paid For is as follows:					
Individual	$ 274,112	$ 265,112	$ 223,240	$ 247,389	$ 224,549
Group	45,777	23,734	13,757	8,169	10,324
Total	$ 319,789	$ 308,846	$ 237,047	$ 255,558	$ 306,573

* See Note 5 of Notes to Financial Statements for Assurance.

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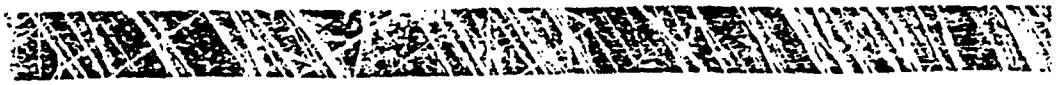

Item 1. [illegible] Business. The following is shown in thousands of [illegible] Assurance's operations with respect to life insurance in force, life insurance issued and gross premiums [illegible] as reported in filings for the 5 years ended December 31, 1975:

	1975	1974	1973	1972	1971
Life Terminations					
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expiry	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Surrender	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conversion	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lapse	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Lapse Ratio	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gross Terminations					
Death	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Maturity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Disability	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expiry	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Surrender	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lapse	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Ratio of Actual to Expected Mortality	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Marketing. The majority of Assurance's general agents and producers are independent contractors compensated on a commission basis within the limitations set by regulatory authorities. Service fees and expense reimbursement allowances may be paid to general agents, also within the limitations set by regulatory authorities. Assurance has 30,000 licensed producers. A small percentage of the business written is produced by agents who write business exclusively for Assurance or its affiliated companies. A large percentage of Assurance's producers are brokers who also sell insurance for other companies.

Investment Results. The following table shows the investment results of Assurance for the last five years (in thousands of dollars):

Period	General Investment Assets: Cash	General Investment Assets: Invested Assets	General Investment Assets: Total	Net Investment Income(b)	Net Yield(a)	Net Realized Gain or (Loss)(c)	Net Unrealized Gain or (Loss)(c)
1975	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	$ [illegible]	$ [illegible]
1974	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1973	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1972	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1971	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(a) The total cash and invested assets are as of the end of the period and are based on regulatory definition. These assets are used in the determination of net yield, which is based on a formula prescribed by the National Association of Insurance Commissioners.

(b) Net investment income is after deduction of investment expenses and before income taxes and policyholders' interest.

(c) Realized and unrealized gains or losses are shown net of applicable taxes and [illegible] policyholders' interest.

Assurance invests principally in long-term fixed income obligations such as corporate bonds. Other investments include real estate mortgage loans, policy loans, public utility bonds, real estate, preferred stocks and common stocks. With respect to long-term debt securities, yields are at high levels and market prices of some previously issued bonds and preferred stocks are depressed, resulting in the current market values of some of Assurance's security holdings being substantially less than carrying values. Investments in marketable equity securities are carried at market values. Assurance in 1975 emphasized investments in



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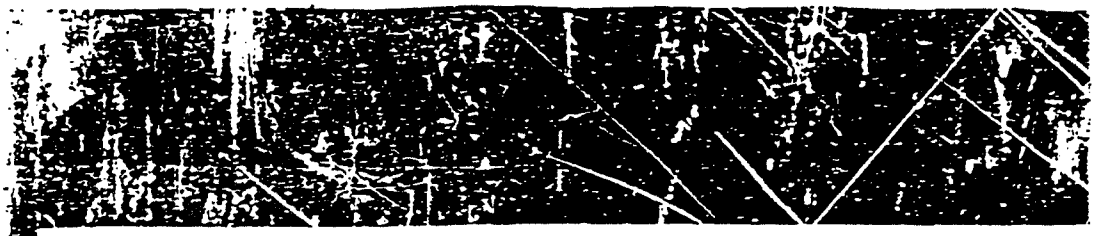

...ate bonds and substantially reduced its holdings in common stocks. The Illinois Insurance Code prescribes the types of investments which may be made by Assurance and the amounts of reserves, capital and surplus which may be invested in the respective investment categories.

Reinsurance

In the ordinary course of business and in accordance with the practice of the insurance industry, both Casualty and Assurance assume reinsurance from other insurers and in turn cede reinsurance to other insurers and reinsurers. Reinsurance arrangements are utilized by an insurer to limit its maximum loss by providing a greater diversification of risk and minimizing exposures on larger risks. The ceding of reinsurance does not discharge the primary liability of the original underwriter to the insured, but it is the practice of insurers to treat risks which have been reinsured with other companies as a reduction of the risk retained, as though they were not risks for which the original insurer is liable. For detailed information regarding reinsurance see Casualty's Note 5 and Assurance's Note 5 of Notes to Financial Statements included elsewhere herein.

General Finance Corporation

General, with its subsidiaries, ranks among the twenty largest independent finance companies in the United States and is engaged in three business activities: personal loans, automobile financing, and insurance. It is also engaged to a limited extent in the financing of equipment leases. Finance activities are carried on in 504 offices in 26 states. Personal loans, which account for the largest portion of the business, are extended directly to individuals and families for the purchase of goods for the home, payment of medical bills, tuition, vacations and other personal needs through 484 offices. There were over 471,000 such loans outstanding at December 31, 1975. Mid-States Life Insurance Company of America, a wholly-owned subsidiary of General, licensed in 33 states and the District of Columbia, assumes liability as a reinsurer on credit insurance policies written by other companies on the lives of debtors of General.

General and its consumer finance and personal loan companies are subject to regulation by the states in which they operate, including maximum rates of interest which may be charged. General's consumer credit transactions and credit advertising are subject to the Federal Consumer Protection Act and the Equal Credit Opportunity Act. The business in which General engages is highly competitive.

The Larwin Group, Inc.

Larwin is principally engaged in the development of single-family housing in California and Southern Nevada and is phasing out similar operations in Illinois, Maryland, New York and Virginia. In 1975 Larwin discontinued the development of multi-family rental projects, recreational sites and urban housing developments and is currently in the process of phasing out these operations. The homebuilding industry is intensely competitive and Larwin competes with numerous homebuilders. Many Larwin homes are financed under Federal Housing Administration insured or Veterans' Administration guaranteed mortgages.

CNA announced in 1974 that it did not intend to provide further financial support to Larwin and has written off its entire investment in Larwin and related commitments. On December 31, 1974, Larwin was in default on a demand basis to a group of banks in the principal amount of $145,000,000 and to a group of unaffiliated institutional investors holding $20,000,000 principal amount of subordinated notes, such indebtedness having been converted to a demand basis upon the waiver of various defaults including defaults in the payment of principal and interest from and after September 30, 1974). In October 1974, the banks and Larwin entered into a collateral agreement whereby substantially all the company's assets were pledged. The banks and the subordinated noteholders have entered into an intercreditor agreement which defines their relative rights and priorities. Currently, Larwin is operating under interim arrangements which have been agreed to by its creditor banks. Negotiations, in which CNA is participating, are in process with the banks for the purpose of developing a long-term agreement under which Larwin can continue its operations and satisfy its indebtedness as adjusted. Larwin may not be able to repay the bulk of the above indebtedness. CNA has not guaranteed the payment of either the bank loans or the subordinated notes held by the group of unaffiliated institutional investors—See Note M of CNA's Notes to Financial Statements.

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CNA Management Corporation

CNA Management Corporation is engaged primarily in the business of providing investment advisory services to mutual funds including Manhattan Fund, Inc., Fundex, Inc., Liberty Fund, Inc., Hemisphere Fund, Inc., and Schuster Fund, Inc., and, through its wholly-owned subsidiary, CNA Investment Counselors, Inc., to other concerns and individuals. Assets under management aggregated approximately $125,000,000 at December 31, 1975. Securities Combudata, Inc., another subsidiary, performs administrative services for the funds managed and for CNA and other companies. CNA Management Corporation and the mutual funds managed by it are subject to regulation by the Securities and Exchange Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940 and the Investment Adviser's Act of 1940.

Healthco, Inc. and First Healthcare Corporation

Healthco, Inc. ("Healthco"), 45.3% of the common stock of which is owned by CNA, is a Boston based company engaged in the distribution of dental and medical equipment and supplies and the operation of dental laboratories. Healthco operates 103 branches in the United States and Canada, and is the largest dental supply and dental equipment distribution company in the United States. Various disputes and litigation between Healthco and CNA were resolved in 1975, and a stipulation of settlement was entered into, subject to court approval, relating to suits filed in July 1974 by Healthco and on behalf of shareholders of Healthco against CNA and certain of its former officers and directors—see Note C of CNA's Notes to Financial Statements.

The former parent care division of Healthco, First Healthcare Corporation ("First Healthcare"), became a wholly-owned subsidiary of CNA pursuant to a plan of reorganization adopted by Healthco stockholders in July 1972. In 1975 First Healthcare sold 34 convalescent facilities owned or leased by it and operated in the West and Midwest. First Healthcare continues to operate 21 facilities located in 4 New England States.

CNA Properties

The major administrative and home office properties owned by CNA subsidiaries are shown below:

Location	Number of Square Feet	Percentage of Space Occupied by CNA(2)	Owner
"CNA Plaza" (1) and (4) Chicago, Illinois	1,397,000	100%	Assurance
"CNA Center" 310 S. Michigan Avenue and 55 E. Jackson Blvd. Chicago, Illinois (1)	875,000	57	Casualty & Affiliates
600 S. Commonwealth Avenue Los Angeles, Calif.	209,000	25	CNA Affiliates
181 Bloor Street East Toronto, Ontario	128,000	93	Casualty
20 Trinity Street Hartford, Conn.	97,000	50	National
412 Washington Street Reading, Pa.	111,000	100	Americas
255 S. Orange Avenue Orlando, Fla.	221,000	8	Casualty & Affiliates (3)
9250 LBJ Freeway Dallas, Texas	51,000	20	Assurance
2500 North Elston Avenue Chicago, Illinois	128,000	100	Casualty & Assurance
3822 Summit Kansas City, Mo.	90,000	50	Casualty

(1) Parts of the properties known as "CNA Plaza" and "CNA Center" are constructed on ground leases for periods of 99 years. These leases cover approximately 26,360 square feet of land at an annual rental of approximately $210,000. Approximately 52% of "CNA Center" is currently unrented.

(2) Space not occupied by CNA or its subsidiaries is offered for rental; approximately 53% of such space, in the aggregate, is leased to others.

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(3) Owned jointly by Casualty, National Fire Insurance Company, American Casualty Company, Transportation Insurance Company, Transcontinental Insurance Company and Valley Forge Insurance Company.

(4) CNA Plaza is a forty-five story office building adjacent to the "CNA Center" that serves as the Chicago Home Office for Assurance, Casualty and CNA.

General leases its home office building at 1603 Central Avenue in Evanston, Illinois. CNA Management Corp. leases its principal office which is located in a modern office building at 245 Park Avenue, New York City. CNA's affiliates also lease office space in various cities throughout the United States and Canada. Annual lease payments by CNA's affiliates are not material.

Lorillard Division

In November 1968, the former Lorillard Corporation became a wholly-owned subsidiary of the Company's subsidiary, Loew's Theatres, Inc. ("Loew's"). Lorillard Corporation was merged into Loew's in July 1969 and its business has since been conducted as a division ("Lorillard") of Loew's.

Tobacco Products: Cigarettes represent between 98% and 99% of Lorillard net sales. The principal filter cigarette brands of Lorillard are Kent, Newport, True, Old Gold, Spring, and Max introduced in 1975. The principal non-filter cigarette brand is Old Gold Straights. Lorillard is also test marketing brands in various areas of the United States, including "L. T. Brown", a new 120 mm. cigarette, and "Kent Golden Lights", a new high filtration cigarette. Other tobacco products include Lorillard's little cigar brands, Between the Acts, Madison and Omega, and small cigars marketed under the brand name Erik. Lorillard's chewing tobacco brands are Beech-Nut, Big Red, Bagpipe and Havana Blossom.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. The advertising media presently used by Lorillard includes magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for tobacco products other than cigarettes and little cigars, radio and television. In addition, Lorillard distributes Gift Star coupons with its Spring and Old Gold cigarette brands. Sales promotion activities are conducted by distribution of samples, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Since January 1971, cigarette advertising has been prohibited on radio and television. Radio and television stations, however, continue to broadcast antismoking messages and the Federal Communications Commission in 1970 decided that the "fairness doctrine", requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues, creates no right to reply to such messages. This ruling has been affirmed by a United States Court of Appeals. Federal law requires that cigarettes manufactured or packaged in the United States, or imported for sale or distribution in the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health." In 1973, little cigars became subject to the same statutory prohibitions against advertising on electronic broadcast media as cigarettes.

In February 1971 Lorillard entered into a voluntary program, which was also adopted by other major domestic manufacturers of cigarettes, to disclose the "tar" and nicotine content of its cigarettes in all printed advertising. In 1972 Lorillard and the other manufacturers entered into consent orders with the Federal Trade Commission to include the health warning statement in print advertising, on billboards and on certain categories of point of sale display materials relating to cigarettes, in a prominent manner. In October 1975 the United States, on behalf of the Federal Trade Commission, commenced an action in the Federal Court in the District of Columbia against Lorillard and five other major cigarette manufacturers, alleging violation of the 1972 consent orders and seeking penalties in unspecified amounts and injunctive relief, including creation of a trust fund to remedy Lorillard's alleged failure to warn the public of the health hazards of smoking. The action has been transferred to the Federal District Court for the Southern District of New York. The Company is of the opinion it has diligently complied with its consent order and is vigorously defending the suit.

Several states and municipalities have enacted or are considering legislation intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places. From time to time

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bills have been introduced in Congress to end or limit price supports for leaf tobacco; to provide that cigarette advertising is not a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Federal Trade Commission to promulgate standards establishing maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for cancer research; and to require segregation of smokers and non-smokers on interstate public transportation.

The United States District Court for the District of Columbia has determined that the Consumer Product Safety Commission, a federal agency, has authority under the Federal Hazardous Substance Act to exercise jurisdiction over a petition seeking a ruling to bar from sale in interstate commerce cigarettes yielding more than 21 mgs. of "tar". Such decision is presently on appeal to the United States Court of Appeals for the District of Columbia. Legislation explicitly exempting tobacco and tobacco products from such act, and which would have the effect of reversing the District Court's decision, is currently being considered in Congress.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets; and through chain store organizations and vending machine operators, many of whom purchase their requirements directly. Lorillard tobacco products are stocked in public warehouses throughout the country to provide for rapid distribution to customers.

International Operations: About 18%, 17% and 16% of Lorillard's total unit sales of cigarettes in the year ended December 31, 1975, the four months ended December 31, 1974 and the fiscal year ended August 31, 1974, respectively, were manufactured in the United States and exported. Such export sales were made by Lorillard directly and through wholly-owned subsidiaries, including a Domestic International Sales Corporation, a Western Hemisphere Trade Corporation and a foreign subsidiary.

License agreements are in effect with nineteen cigarette manufacturers in foreign countries for the manufacture and sale of Lorillard's products on a royalty basis. P. Lorillard s.a.r.l., a Luxembourg corporation jointly owned by P. Lorillard International S.A., and HVL Participations, also manufactures certain of Lorillard's brands for markets in the Benelux countries, the United Kingdom, France, Italy and parts of Africa. Approximately 29%, 14% and 19% of Lorillard's net earnings for the year ended December 31, 1975, the four months ended December 31, 1974 and the fiscal year ended August 31, 1974, respectively, were attributable to exports, foreign licenses and other foreign operations. Except for a restriction with respect to a portion of the revenue from sales of cigarettes in Iran, generally there are no restrictions on repatriation of Lorillard's foreign earnings. In several countries ownership of some of Lorillard's brand names is claimed by others, and in several other countries prior registrations of the name "KENT", or a variation thereof, are claimed by others. Also in recent years, a number of foreign countries have taken steps to restrict cigarette advertising and to discourage cigarette smoking.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco, burley tobacco and Maryland tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by its own buyers and commission buyers at tobacco auctions (see "Item 3—Legal Proceedings—Litigation Relating to Lorillard"). Lorillard also purchases various types of Near Eastern tobacco, most of which is grown in Turkey and Greece. In addition, Lorillard uses seed leaf tobacco, which is grown mostly in Wisconsin, Ohio, Pennsylvania and Connecticut, in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives.

Due to the varying size and quality of annual crops and other economic factors, tobacco prices have in the past been subject to wide fluctuations. Among economic factors are federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1975 the average auction price per pound for flue-cured tobacco increased from a low of 64.20 cents to a high of $1.05, or 63.6%. From 1966 through 1975, the average auction price per pound of burley leaf increased from 66.90 cents to a high of $1.137, or 70%. The prices paid by Lorillard increased with such trend. In addition to purchases at auction warehouses, Lorillard purchased substantial quantities of

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aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories during those years. Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 of Notes to Consolidated Financial Statements for inventory costing methods used and accounting changes made in the years ended December 31, 1975 and August 31, 1974.

Sales Prices and Taxes: The list price per thousand of Lorillard's 100 and 120 mm filter and non-filter king size cigarettes is $13.25. The other Lorillard cigarettes are sold at a list price of $12.75 per thousand. Such figures reflect a price increase effective November 11, 1975 of $.70 per thousand and an increase of $.95 per thousand effective November 24, 1975. On December 22, 1975, Lorillard also posted price increases for its brands of chewing tobaccos ranging from 7.1% to 7.4%. Cigarette prices are subject to a 2% cash discount if paid within 14 days after invoice date or 3% discount if payment is received no later than the tenth day after invoice date. The prices of cigarettes include Federal excise tax at the rate of $4.00 per thousand. Excise taxes on cigarettes which are levied upon and paid by the distributors are also in effect in the fifty states and the District of Columbia. Such taxes, many of which have been increased during recent years, range from 2 cents to 23 cents per package of twenty cigarettes. In addition, many municipal taxing authorities impose taxes on cigarettes.

Property: The properties of Lorillard are employed principally in the processing and storage of leaf tobacco and in the manufacture and storage of Lorillard's tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and the cigarette-making machinery and the cigarette-wrapping and packaging machinery are of modern design and of high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina and Louisville, Kentucky. The Greensboro plant is devoted exclusively to the manufacture of cigarettes. The Greensboro plant, located on approximately 79 acres, contains approximately 674,000 square feet, including a 40,000 square foot tobacco processing plant completed in 1972. The Louisville plant, which consists of multi-storied buildings totaling about 300,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 2,000,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Lexington, Kentucky, Lancaster, Pennsylvania and Westby and Stoughton, Wisconsin. A modern research facility consisting of approximately 42,000 square feet is located at Greensboro. Lorillard leases executive offices at 200 East 42nd Street, New York, New York 10017.

Hotel Activities and Properties

The Company presently operates 11 hotels and motor hotels, including four hotels and two motor hotels in New York City, one hotel in each of Washington, D. C., Quebec City, Canada, and London, England, and resort hotels in Monte Carlo, Monaco, and Paradise Island, Nassau, Bahamas.

The Company leases its 640 room resort hotel in Monte Carlo, which opened in August 1975, and also leased from the same lessors a 570 room, 32 story hotel in Hamburg, West Germany, which opened in March 1973 and a hotel to be constructed in Frankfurt, West Germany. In February 1975 the Company entered into agreements with Canadian Pacific Hotels Limited and the lessors for surrender of the Hamburg and Frankfurt leases and for transfer of those operations to a Canadian Pacific subsidiary. The Company is actively engaged in seeking other sites in Europe and elsewhere and will enter into management and other arrangements for other hotels as suitable locations are selected.

The Company provides management services to a 433 room deluxe hotel in Quebec City, Canada, under a management agreement, and has also entered into other agreements relating to hotel development in Canada generally. The Company will also supply management services pursuant to a management agreement, to a hotel in Montreal presently under construction and scheduled to open in 1976. The Company has entered into an agreement for the operation of a hotel, containing approximately 513 rooms, presently under construction in Santo Domingo, Dominican Republic, expected to open in 1976. The Company has also entered into agreements relating to operation of projected hotels in Greece, Spain, Costa Rica and England.

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The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $81,390,000 at interest rates ranging from 5.5% to 8.25% and maturing from 1979 to 1996.

The following are the hotel properties operated by the Company and wholly-owned subsidiaries at December 31, 1975. Since the number of rooms in a hotel varies from time to time, all numbers of rooms in the following table are as of December 31, 1975.

Name of Hotel	Location	Type	Number of Rooms	Date Opened	Owned, Leased or Managed
Regency	New York, New York	Luxury Hotel	400	1963	Leased land
Summit	New York, New York	First Class Hotel	731	1961	Leased land
Drake	New York, New York	Luxury Hotel	642	1926*	Owned
Warwick	New York, New York	Luxury Hotel	504	1926*	Owned
Paradise Island Hotel and Villas	Paradise Island, Nassau, The Bahamas	Resort Hotel	500	1962	Leased
Howard Johnson's Motor Lodge**	New York, New York	Motor Hotel	300	1962	Leased land
Ramada Inn**	New York, New York	Motor Hotel	368	1962	Owned
The Churchill	London, England	Luxury Hotel	449	1970	Leased
L'Enfant Plaza	Washington, D.C.	Luxury Hotel	372	1973	Mgmt. Contract
Le Concorde	Quebec City, Canada	Luxury Hotel	443	1974	Mgmt. Contract
Monte Carlo	Monte Carlo, Monaco	Resort Hotel	340	1975	Leased

* The Drake Hotel has been owned by the Company since 1964 and the Warwick Hotel since 1965. Rooms shown for the Drake Hotel include 185 rooms in a new wing opened in 1962.

** Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for use of the respective trade names, trademarks and other rights.

Some of the Company's hotels contain gift shops, a variety of restaurants and lounges and parking facilities, swimming pools and access to tennis courts and golf courses, and the hotel in Monte Carlo contains a casino.

The Company has leased to a subsidiary of American Airlines, Inc., the Hotels Americana of New York, Bal Harbour, Florida, and San Juan, Puerto Rico, and the City Squire Motor Inn in New York City for terms expiring between 1995 and 2002. The leases, which are guaranteed by American Airlines, Inc., provide for payment of fixed aggregate annual rentals for each of the first five years, and, commencing in August of 1977, a percentage rental is payable in each calendar year with provision for a maximum aggregate of fixed annual and percentage rents in the following years of the four lease terms.

Theatre Activities and Properties

The Company's theatres exhibit feature motion pictures and, occasionally, accompanying short subjects, which are licensed for exhibition by film distribution outlets in the United States.

The Company operated, as of December 31, 1975, 102 motion picture theatres located in 32 cities or towns, in 15 states. The 102 theatres are contained in 68 buildings, of which 26 are owned and 42 are leased. All are conventional theatres. The theatres operated vary in size and include suburban theatres and large, deluxe "showcase" theatres.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of film. In general, the selection of films is based on community preference, availability and terms. Films are licensed on a picture by picture basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy, ice cream products and beverages.

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The Company receives income from the concessionaire based on a percentage of the revenues derived from sales.

In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The theatres owned by the Company, some of which are also commercial properties, are subject to mortgage liens securing indebtedness aggregating approximately $9,842,000 at December 31, 1975, at interest rates ranging from 4% to 8%, and maturing from 1976 to 1994.

During the year ended December 31, 1975 the Company acquired or completed construction of four theatres, located in suburban Rochester, New York, Miami Beach, Florida and Cleveland, Ohio. During the year the Company converted six theatres, each previously operated as a single theatre, into twin theatres and converted two theatres previously operated as single theatres into triple theatres. One twin theatre was converted into a triple theatre. On February 10, 1974, an agreement by the Company to acquire approximately 69% of the outstanding shares of Century Circuit, Inc., a motion picture theatre operator, expired when approval of the United States District Court for the Southern District of New York had not been obtained by the date specified under such agreement. (See "Item 3—Legal Proceedings—Litigation Relating to Theatres".)

Residential Development

Since April 1969 the Company has been engaged in the planning and construction of residential developments. During 1975 the Company reduced its residential development activities substantially. Prior to August 1974, these activities were conducted in conjunction with J. H. Snyder Company of Los Angeles, California ("Snyder"). Joint venture and other agreements between the Company and Snyder generally provided for the sharing of profits and losses. Operational responsibility was assumed primarily by Snyder, and the Company provided or arranged for financing. Effective August 30, 1974, the Company and Snyder entered into a reorganization whereby the Company transferred its interests in residential development projects to Snyder (including $58,689,367 of indebtedness owed by Snyder to the Company) in exchange for 50% of the outstanding common stock of Snyder and 66,000 shares of Snyder preferred stock. On August 4, 1975 the Company purchased an additional 49.75% of the outstanding common stock of Snyder. The assets, liabilities and results of operations of the Snyder Company are included in the consolidated financial statements of the Company.

Operations: Snyder is involved principally in the planning, construction and sale of four projects: Beverly Glen Park in Los Angeles, Coronado Shores in San Diego, Water Gardens in Fullerton, California, and Wilshire Greens near Chicago. In addition, Snyder holds for sale developed and undeveloped land and some residential units in Southern and Northern California, Staten Island, New York, suburban Chicago, Illinois, and Sierra Vista, Arizona.

During 1974 and 1975 the housing market in the United States was depressed by several factors, including high rates of interest and widespread uncertainty about the outlook for the economy. In some areas, particularly California, where Snyder's projects are principally located, environmental considerations and requirements delayed construction and contributed to rising production costs. During 1975, Snyder decided not to develop certain projects, reduced the number of units previously planned, sold improved or partially improved lots, and returned certain unused land to the sellers. As of December 31, 1975, Snyder held for sale or return to the Seller 587 acres of improved and unimproved land. The Company does not presently contemplate commencement of new residential development projects. (See Item 2—Note (g) to Summary of Operations.)

Since its inception, Snyder has sold 3,082 residential units, out of a total of 3,100 units originally planned. Of such units sold and delivered, 610 units were sold and delivered during 1975. Prices of units sold in 1975 ranged from $19,900 for certain condominium garden apartments to $185,000 for certain condominium units in multifamily high-rise structures. At December 31, 1975 Snyder had an aggregate of 201 constructed but unsold, residential units (67 of which were under contracts of sale), excluding 21 models. Snyder single-family residential units are generally sold for cash and first mortgages or deeds of trust. During 1975, the Snyder mortgage subsidiary furnished purchasers of Snyder residential units with $19,400,000 of mortgage financing at interest rates of 8% to 9.5% per annum. Prior to 1975, Snyder

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completed four rental apartment projects with an aggregate of 1,491 rental apartments. All four projects were sold in transactions in which the purchaser made a cash down payment and gave Snyder its non-recourse promissory note for the balance of the sales price. Such sales were made directly to investors, usually organized as limited partnerships. Snyder has no plans to develop additional rental apartment projects. Snyder operates an escrow company to serve its California purchasers and a property management company. These companies, as well as the mortgage subsidiary, have not contributed materially to Snyder's revenues or results of operations.

Financing. Certain projects are subject to purchase-money mortgages aggregating approximately $881,000, at interest rates ranging from 6% to 9%, which mature between 1976 and 1978. In addition, at December 31, 1975, Snyder had underlying notes payable aggregating approximately $25,343,000 secured by approximately $33,062,000 of all inclusive trust deed notes receivable from buyers of apartment projects. These notes payable bear interest at 3% to 8.75% and mature between 1997 and 2003. During 1975, the Company contributed capital to Snyder in the amount of $41,086,000 which was used by Snyder to (i) retire $13,080,000 of short-term construction borrowings, (ii) retire intercompany debt owed to the Company of $13,038,000 and (iii) fund operations. Since the commencement of the Company's association with Snyder, the Company has given financial and performance guarantees related to the development and sale of Snyder's projects. In addition, the Company has acted as guarantor of most of Snyder's performance, subdivision and contractor's bonds which are given in the ordinary course of developing real property.

Other Interests

The Company owns two high-rise, combination commercial and apartment buildings in New York City, the land under a new office building containing approximately 2,000,000 square feet of office and commercial space in New York City, and four commercial and office buildings located respectively in New York City; Syracuse, New York; Kansas City, Missouri; and Los Angeles, California. The foregoing properties are subject to mortgages as of December 31, 1975, aggregating approximately $20,098,000 at interest rates of 4% to 7.5%, maturing between 1977 and 2010.

The Company is the beneficial owner of 927,000 shares of the common stock of Wheeling-Pittsburgh Steel Corporation ("Wheeling"). This holding represents approximately 25.2% of the outstanding common stock and 20.35% of the voting stock of Wheeling. Wheeling is an integrated steel producer, engaged in the manufacture of iron, steel ingots, semi-finished, finished and fabricated steel products. Wheeling owns either directly or through equity interest, enterprises which supply it with a major portion of its iron ore and approximately half of the coal used in its coke ovens. See Notes 1 and 4 of Notes to Consolidated Financial Statements for information relating to the accounting treatment of the Company's share in the undistributed earnings of Wheeling.

Competition and Regulation

Lorillard: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total factory removals (tax and tax-exempt) of all cigarettes manufactured in the United States and total factory removals (tax and tax-exempt) of cigarettes manufactured by Lorillard, indicates the relative position in the industry of Lorillard:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard in Industry
1970	583,935,000	50,430,000	8.6%
1971	578,062,000	54,209,000	9.4%
1972	598,187,000	55,494,000	9.3%
1973	646,243,000	57,638,000	8.9%
1974	635,445,000	58,764,000	9.3%
1975	630,623,000	57,947,000	8.9%

* Source: Reports and bulletins of the Internal Revenue Service.

On the basis of information currently available, Lorillard ranks fifth among the major producers of tobacco products in the country.

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Hotels. Competition from other hotels, motor hotels and inns, including facilities owned by local interests and facilities owned by national and international chains, is vigorous in all areas in which the Company operates facilities. The demand for hotel rooms in many areas is seasonal and is dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Because of the competitive nature of the industry, hotel and motor hotel operators must make continuing expenditures for modernizing, refurnishing, repairs and maintenance in order to prevent competitive obsolescence.

Theatres. The business of motion picture exhibition is also highly competitive. The Company is one of many major theatre chains in the United States. The Company operates theatres in certain areas of the United States which are heavily saturated with theatres of various national and local exhibitors. Consequently, the Company faces intense competition from locally significant competitors. As a result of trade practice limitations imposed upon the eight major motion picture distributors by the various decrees entered in the cases of *United States v. Paramount, et al.* and *United States v. Loew's Incorporated et al.* (See "Item 3—Legal Proceedings—Litigation Relating to Theatres"), the pictures of such distributors must be offered and licensed to exhibitors, including the Company, picture by picture and theatre by theatre. In addition to competition from other motion picture theatre operators, the Company's film exhibition business is confronted with other forms of competition in the entertainment field, among which are television and other forms of home entertainment, including films provided for viewing by hotel guests through hotel room television sets. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

Real Estate Development: All aspects of the real estate development and construction business are highly competitive. The projects in which Snyder is currently active are located for the most part in or near urban areas where other builders are developing numerous housing projects of a similar nature. In each of its market areas Snyder competes with numerous residential builders and developers. All of Snyder's residential land is subject to zoning restrictions imposed by local governments and subdivision, building and other regulations of various federal, state and local authorities. In recent years the restrictions imposed by such authorities have become increasingly strict and compliance with restrictions imposed has become more costly. A substantial number of Snyder's projects are in California, a state where significant environmental regulations have been imposed on residential developers. Litigation involving the Snyder project at Coronado with the California Coastal Zoning Commission, relating to permits to construct the remaining high-rise condominium units in the project, resulted in a final judgment in favor of Snyder, which was not appealed by the Commission. However, certain residents of Coronado sought to intervene in order to oppose the grant of relief sought by Snyder and, although intervention was denied, appeals have been filed by the proposed interveners. The appeals have been held in abeyance by the Superior Court of California until the unsuccessful interveners pay certain required fees. Snyder is proceeding with construction of the development in reliance on the judgment of the Superior Court. None of the other states and local communities in which Snyder developments are under construction presently have environmental regulations with an impact similar to those set forth above. With respect to some of its developments, Snyder also must satisfy the valuation standards and the site, materials and construction requirements of the FHA and VA.

CNA. All areas of the insurance business of CNA are highly competitive because of the marketing structure and the large number of stock and mutual insurance companies and other entities competing. The insurance subsidiaries of CNA are subject to insurance regulation and supervision in each jurisdiction in which they do business. The method of such regulation varies but generally regulation has been delegated to state insurance commissioners who are granted broad administrative powers relating to the licensing of insurers and their agents, the nature of and limitations on investments, approval of policy forms, reserve requirements and trade practices. In addition to the above types of regulation, many classes of the casualty-property insurance business are subject to rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory.

Insurance holding company laws of several states grant additional powers to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information and to regulate certain transactions with

72593058

affiliates. In a majority of the states having such laws, if the declaration of a dividend by an insurance company subsidiary to its shareholders, together with payments during the twelve months preceding, would exceed the greater of 10% of surplus or the net operating income of a life company or the net investment income of a non-life company, for the preceding calendar year, then such declaration must be reported promptly to the commissioner and the dividend may be paid only if he does not disapprove.

Employee Relations

The Company (exclusive of CNA and its subsidiaries) employed approximately 11,200 persons at December 31, 1975. A substantial number of such personnel are represented by labor unions under separate contracts with many local unions which expire at varying times and are then severally renegotiated and renewed. The Company considers its employee relations satisfactory.

The Company maintains a Retirement Plan, group life, disability and health insurance program and a Savings Plan for its salaried employees. In 1974, collective bargaining agreements expiring in 1977 covering hourly-rated production and service employees at various Lorillard plants, were concluded with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The agreements provide, in addition to improvements in wages and benefits, funding of the non-contributory retirement plan covering such employees, commencing as of January 1974. The Company also has a deferred Profit Sharing Plan for the hourly paid employees of the Lorillard Division who are represented by the foregoing unions.

CNA and its subsidiaries (including Healthco) employ approximately 15,600 persons and have experienced satisfactory labor relations with no work stoppages due to labor disagreements, and have comprehensive benefit plans for substantially all of their employees.

Energy Crisis

The ultimate effect of the current energy crisis on the economy as a whole and, hence, on the Company's business, is uncertain at this time. To date, the impact on the Company has not been materially adverse, although direct costs have been materially increased, as well as costs of transportation and products manufactured from petroleum derivates used by the Company's divisions. Compliance with the Petroleum Energy Office Allocation Regulations resulted in the granting of the requested supply of petroleum products for the three manufacturing facilities of the Lorillard Division. There has been no material impact on the Company's hotel, theatre and residential development operations. The Company and its subsidiaries and divisions have an on-going program to conserve energy. Included in this program are measures to reduce lighting, heating, air conditioning and usage of machinery to minimum needs consistent with safety and security.

Item 2. SUMMARY OF OPERATIONS

The following summary of operations should be read in conjunction with the consolidated financial statements of the Company and notes thereto included elsewhere herein. Effective December 31, 1974 the Company acquired, in a purchase transaction, a controlling interest in CNA. Accordingly, CNA's results of operations are included in the amounts shown for the year ended December 31, 1975. No operations of CNA for any other period have been included other than dividends earned prior to the acquisition date which are not significant in relation to total revenues or net earnings of the respective periods.

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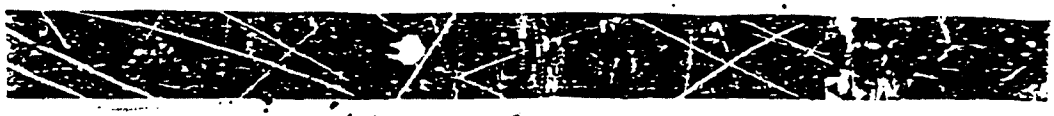


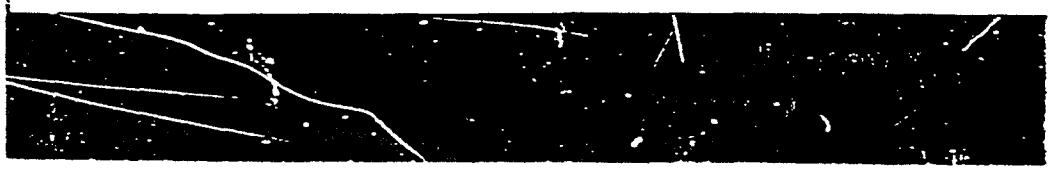
LOEW'S CORPORATION AND SUBSIDIARIES

SUMMARY OF OPERATIONS

	Four Months Ended December 31, 1975	Four Months Ended December 31, 1974	Years Ended August 31, 1974	1973	1972	1971
	(Amounts in thousands, except per share data)					
Revenues (1):						
Insurance premiums and net investment income	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Manufactured products (2)	790,139	225,470	411,134	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expenses (2):						
Insurance benefits and underwriting expenses, etc.	[illegible]					
Cost of manufactured products and [illegible]	519,594	174,582	441,335	443,541	426,572	414,620
Interest and amortization of debenture discount and expense—net (11)	91,576	22,301	57,207	50,526	44,964	43,290
Other	322,760	74,089	203,017	192,213	252,207	249,648
Income taxes (3)	40,302	1,320	14,154	27,359	28,855	32,854
Minority interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Earnings before realized investment gains (losses), equity in earnings of associated companies, and extraordinary items	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Realized investment gains (losses)—net (5) (Net unrealized investment gains (losses) of $[illegible], $2,[illegible], $[illegible], $(40,610), $5,465 and $41,224 for the respective periods have not been reflected herein)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity in earnings of associated companies—net (9)	2,468	3,575	9,582	[illegible]	[illegible]	[illegible]
Earnings before extraordinary items	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Extraordinary items—net (6)					[illegible]	
Net earnings	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Average number of shares outstanding (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Earnings per share—primary (14):						
Earnings before realized investment gains (losses), equity in earnings of associated companies and extraordinary items	$4.04	$ .43	$2.76	$3.01	$2.48	$2.87
Realized investment gains (losses)—net	.31	[illegible]		.64	.33	[illegible]
Equity in earnings of associated companies—net	.19	.06	.74		.17	.23
Earnings before extraordinary items	3.14	.08	3.50	3.65	2.98	3.48
Extraordinary items—net					.20	
Net earnings	$3.14	$ .08	$3.50	$3.65	$3.18	$3.48
Earnings per share—assuming full dilution (14):						
Earnings before realized investment gains (losses), equity in earnings of associated companies and extraordinary items	$4.03*	*	$2.76	$3.01	$2.81	$2.38
Realized investment gains (losses)—net	.23	*		.50	.34	.59
Equity in earnings of associated companies—net	.18	*	.57		.11	.23
Earnings before extraordinary items	4.44	*	3.33	3.51	3.36	3.50
Extraordinary items—net					.14	
Net earnings	$4.44	*	$3.33	$3.51	$3.50	$3.50
Cash dividends per share	$1.25	$ .50	$1.22	$1.21	$1.03	$1.00

* Anti-dilutive

See the accompanying Notes to Summary of Operations on following page.



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LOEW'S CORPORATION AND SUBSIDIARIES

NOTES TO SUMMARY OF OPERATIONS

(In thousands of dollars)

(a) Includes excise taxes of $189,840, $64,051, $196,766, $197,034, $194,752 and $193,328 paid on sales of manufactured products for the respective periods.

(b) See Notes 1 and 2 to Consolidated Financial Statements.

(c) Extraordinary items during the year ended August 31, 1972 consisted of the following:

Gain on sale of forty-eight theatres located principally in California and Florida	$2 [illegible]
Loss on sale of investment in former associated company	(2,553)
	$ 39[illegible]
Less applicable income taxes, including deferred taxes of $2,328	[illegible]
Net	$2,929

The loss on sale of investment in former associated company relates to Franklin New York Corporation, which investment had been accounted for under the equity method of accounting. The revenues and net earnings applicable to the above theatres sold were not significant in relation to consolidated revenues or net earnings of all other operations.

(d) See Note 12 to Consolidated Financial Statements.

(e) On August 1, 1972 the Company leased to subsidiaries of American Airlines, Inc. four of its hotels under long-term lease agreements expiring from 1995 to 2002. While revenues from manufactured products (principally tobacco) increased in 1973, the total revenues and expenses of the Company decreased in part due to this transaction.

(f) In March 1973 the Company had several transactions in the common stock of Equity Funding Corporation of America which have given rise to a lawsuit by the Company against the sellers seeking damages and rescission. The outcome of the lawsuit is not presently determinable. In the year ended August 31, 1973 the Company provided for potential losses of $5,283, less applicable tax effect of $2,536.

(g) See Note 1 to Consolidated Financial Statements for a description of changes in inventory methods made during the years ended December 31, 1975 and August 31, 1974. In addition, the Company, in such years made charges to operations, net of taxes, of $3,219 and $4,700, respectively, as a result of reviews of its residential development activities. Such charges increased cost of manufactured products sold by $6,191 and $9,000 in the respective years.

(h) See Note 9 to Consolidated Financial Statements.

(i) The Company has consistently followed the policy of capitalizing interest on borrowings for its residential development projects as this expenditure is considered to be part of the cost of construction. These amounts are charged to cost of manufactured products sold at the time of sale of the related project. The net effect of the Company's policy of capitalizing interest as compared to a policy of charging interest to expense as incurred did not have any significant impact on net earnings in any of the periods.

(j) Certain amounts in prior periods have been reclassified to conform with classifications used in 1975.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF SUMMARY OF OPERATIONS

(Not covered by Opinion of Independent Certified Public Accountants)

Year Ended December 31, 1975 Compared with Year Ended August 31, 1974

As a result of a change in the Company's fiscal year from August 31 to December 31, effective December 31, 1974, this is the first full year the Company is reporting its results of operations on a calendar year basis. There are, therefore, no comparable annual figures reported for the prior calendar year. The results of operations are compared for the years ended December 31, 1975 and August 31, 1974 (the last full fiscal year's operations). In the opinion of Management, the Company's operations for the two periods are comparative with the exception of the inclusion of results of operations of CNA Financial Corporation ("CNA") for the year ended December 31, 1975.

The results of operations of CNA as consolidated by the Company in its financial statements for the year ended December 31, 1975 reflect the application of purchase value accounting for the assets and liabilities of CNA pursuant to Opinion No. 16 of the Accounting Principles Board of the American Institute of Certified Public Accountants. Such purchase value adjustments result in differences between the results of operations of CNA as reported by it and as reflected in the Company's financial statements. A substantial portion of the realized investment gains reported by CNA for its year ended December 31, 1975 are not reflected in realized investment gains reported by the Company, and earnings relating to the extraordinary items reported by CNA for the year ended December 31, 1975 are not reflected in the earnings of the Company for such year. The purchase value adjustments result in the inclusion of operating earnings relating to CNA in excess of the Company's equity in the results of operations as reported by CNA.

Revenues of the Company reflected record levels for the year ended December 31, 1975 and operating earnings were the highest in the Company's history as a result of the acquisition of a controlling interest in CNA. While revenues resulting from the Company's hotel operations and the life operations increased when compared to the year ended August 31, 1974, the inclusion of revenues from insurance operations is the primary reason for the substantial increase in total revenues. Revenues of the residential development division declined when compared to the year ended August 31, 1974.

The increase in total expenses is largely attributable to the inclusion of the results of operations of CNA. However, operating costs also increased at the tobacco, hotel, real estate and residential development divisions. The increased expenses also reflect start-up costs relating to the recently opened Loews Monte Carlo Hotel and a provision for loss in value of inventories of the Company's residential development operations. Due to economic conditions in the real estate industry, the Company has substantially reduced the activities of its residential development division.

Equity in earnings of associated companies reflects a reduction in earnings of Wheeling-Pittsburg Steel Corporation and the effect of Management's determination to establish an allowance to reduce the difference between the carrying value of the investment in Wheeling and the related quoted market value.

Four Months Ended December 31, 1975 Compared with Four Months Ended December 31, 1974

The results of operations for the four months ended December 31, 1975 as compared to the unaudited results of operations for the four months ended December 31, 1974 are as follows:

	Four Months Ended December 31,	
	1975	(Unaudited) 1974
Total revenues	$277,960,000	$247,595,000
Earnings before realized investment gains (losses) and equity in earnings of associated companies	$ 5,473,000	$ 12,849,000
Realized investment gains (losses)—net	170,000	7,218,000
Equity in earnings of associated companies—net	3,375,000	1,625,000
Net earnings	$ 13,978,000	$ 21,692,000
Net earnings per share		
Primary	$1.08	$1.68
Assuming full dilution	*	$1.47

* Anti-dilutive

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Year Ended August 31, 1974 Compared with Year Ended August 31, 1973

The principal factors (net of related income taxes) accounting for the decrease in net earnings from fiscal 1973 to fiscal 1974 are (i) adoption of the LIFO method of accounting for the food inventory of the Company's Lorillard Division effective with the year ended August 31, 1974, (ii) losses in connection with the Company's residential development joint ventures during fiscal 1974, (iii) increased interest rates during fiscal 1974, and (iv) the absence of realized investment gains in fiscal 1974. These factors were partially offset by the inclusion in 1973 of the Company's equity in earnings of Wheeling-Pittsburgh Steel Corporation arising from the Company's increased investment in Wheeling and adoption of the equity method of accounting for such investment.

Year Ended August 31, 1973 Compared with Year Ended August 31, 1972

The principal factors (net of related income taxes) accounting for the decrease in net earnings from fiscal 1972 to fiscal 1973 are (i) the reduction in realized investment gains in fiscal 1973, (ii) the sale in July 1972 of the Company's investment in its former associated company, Franklin New York Corporation, which resulted in the elimination of the equity in earnings of such former associated company, and (iii) extraordinary items during fiscal 1972.

Year Ended August 31, 1972 Compared with Year Ended August 31, 1971

The principal factors (net of related income taxes) accounting for the increase in net earnings from fiscal 1971 to fiscal 1972 are (i) increased sales and operating revenues in fiscal 1972 only partially offset by increased costs and expenses and (ii) extraordinary items during fiscal 1972. These factors were partially offset by reductions in (i) realized investment gains in fiscal 1972 and (ii) equity in earnings of associated companies in fiscal 1972 as a result of the sale in July 1972 of the Company's investment in its former associated company, Franklin New York Corporation, which eliminated the recording of such earnings for the full fiscal year.

Item 3. PROPERTIES.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1 hereof and is incorporated herein by reference.

Item 4. PARENTS AND SUBSIDIARIES.

Name of Subsidiary	Percentage of Voting Securities Owned by its Immediate Parent	Organized Under Laws of
CNA Financial Corporation (a)(c)	87%	Delaware
Clinton-Court Corporation (a)	100	New York
301 Seventh Avenue, Inc. (a)	100	New York
Hanseaue Development Corp. (b)	40	Delaware
J. H. Snyder Company (a)	99.75	California
L and S Operating Co. (a)	100	California
Loews Astor Plaza, Inc. (a)	100	New York
Loews Century, Inc. (a)	100	Delaware
Loews Triplex, Inc. (a)	100	Delaware
Loews Harmon Cove Cinemas, Inc. (a)	100	New Jersey
Loew's Miami 54th Street Cinema, Inc. (a)	100	Florida
Loews Nassau Cinemas, Inc. (a)	100	New York
Warwick Operating Corp. (a)	100	New York

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Name of Subsidiary	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
Loew's Theatres, Inc. (a)	100	New York
A.E.W., Inc. (a)	100	Delaware
Astoria Theatre Corporation (a)	100	New York
Bal Harbour Hotel Corporation (a)	100	Florida
Canal Realty & Improvement Co., Inc. (a)	100	Louisiana
Castle Realty Inc. (a)	100	Delaware
Central Broadway Corporation (a)	100	New York
Cleveland Theatres, Inc. (a)	100	Ohio
Columbia-Palace Corporation (a)	100	Delaware
Diamond Amusement Corporation (a)	100	New York
District Amusement Corporation (a)	100	New York
Evaluation Consumer Bureau, Inc. (a)	100	New York
Evans Theatre Corporation (a)	100	Delaware
51st & 8th Ave. Corp. (a)	100	New York
58th & Park Ave. Corp. (a)	100	New York
Fum Amusement Corporation (a)	100	New York
French Marketing & Representation Corp. (a)	100	Delaware
1st Ave.-7th St. Corp. (a)	100	New York
48th St. & 8th Ave. Corp. (a)	100	New York
Gates Theatre Corporation (a)	53.89	New York
Glenwood Mortgage Co. (a)	50	California
Gerard Theatre Corporation (a)	100	New York
Hinsdale Amusement Corporation (a)	100	New York
LGC Holding Corporation (a)	100	New York
Lance Theatre Corporation (a)	100	New York
Lawton General Corp. (a)	100	New York
Loew's Bahamas Hotel Limited (a)	100	Bahamas
Loew's Boulevard Corporation (a)	100	New York
Loew's California Theatres, Inc. (a)	100	New York
Loews Cleaning Corporation (a)	100	New York
Loew's Dayton Theatre Company (a)	100	Ohio
Loew's (Great Britain) Limited (a)	100	United Kingdom
Loews Hotels (Canada) Ltd. (a)	100	Ontario
Loews Hotels Monaco S.A.M. (a)	100	Monaco
Loew's Hotels, Inc. (a)	100	New York
Hoteles Loews S.A. (a)	100	Spain
Loews Advisory, Inc. (a)	100	Delaware

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Name of Subsidiary	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
Loews Hotels Corporation (a)	100	Costa Rica
Loews Hotels (Frankfurt), Inc. (a)	100	Delaware
Loew's Hotels (Hamburg) G.m.b.H. (a)	100	W. Germany
Loews Hotels Quebec, Inc. (a)	100	Delaware
Loews Hotels Quebec, Ltd. (a)	100	Canada
Loew's Hotels of Tarrytown, Inc. (a)	100	New York
Loews Marbella Club, Inc. (a)	100	Delaware
Loews Marbella Golf, Inc. (a)	100	Delaware
Loews Technical Services, Inc. (a)	100	Delaware
Loews Washington Hotel Corp. (a)	100	District of Columbia
Loew's Houston Company (a)	100	Texas
Loew's Indiana Theatres Corporation (a)	100	Indiana
Loew's Lauderhill, Inc. (a)	100	Florida
Loew's/Lorillard International Services S.A. (a)	100	Belgium
Loew's New Jersey Hotel Corp. (a)	100	New Jersey
Loew's North Glenn, Inc. (a)	100	Colorado
Loews Realty, Inc. (a)	100	Delaware
Coney Island Theatre, Inc. (a)	100	New York
Eton Amusement Corporation (a)	100	New York
57th Holding Corporation (a)	100	New York
53rd & 7th Corp. (a)	100	New York
Lauderdale Theatre Corp. (a)	100	Florida
Market and Taylor Building Company (a)	100	California
Midland Investment Corporation (a)	100	Missouri
Moredall Realty Corporation (a)	100	New York
Pen Val Realty Corp. (a)	100	Florida
Sejo General Corp. (a)	100	New York
Seventh and Broadway Building Company (a)	100	California
Tower 58 Corporation (a)	100	New York
Loews Reservations, Inc. (a)	100	New York
Loew's Reservations, Ltd. (a)	100	Quebec
Loew's Securities Corp. (a)	100	New York
Loew's St. Petersburg, Inc. (a)	100	Florida
Loew's Summit, Inc. (a)	100	New York
Loew's Theatre & Realty Corporation (a)	100	Delaware
Americana, Inc. (b)	50	Florida
Broadway Ventures, Inc. (b)	50	Florida

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Name of Subsidiary	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
Hawthorne Amusement Corporation (a)	99.5	New York
Loews Kendall Mall, Inc. (b)	50	Florida
Loews Skylake Mall, Inc. (b)	50	Florida
Miami Beach Theatre Corp. (a)	100	Florida
Moonstar Amusement Corporation (a)	100	Indiana
Loew's Westchester, Inc. (a)	100	Florida
Lorillard Asia, Ltd. (a)	100	Hong Kong
Lorillard France, S.A. (a)	100	France
Lorillard International Sales Corp. (a)	100	Delaware
Lorillard Italy, S.p.A. (a)	100	Italy
Lorillard Tobaco De Colombia S.A. (a)	100	Columbia
Marcus Loew Booking Agency (a)	100	New York
Marcus Loew Indianapolis Realty Corporation (a)	100	Indiana
New-Broad Company (a)	100	New Jersey
New Buffalo Amusement Corporation (a)	100	Delaware
Orpheum-86 St. Corp. (a)	100	New York
Parkchester Amusement Corporation (a)	100	New York
Parsippany Theatre Corp. (a)	100	New Jersey
P Lorillard International S.A. (a)	100	Switzerland
P Lorillard s.a.r.l. (b)	50	Luxembourg
P Lorillard Pan American, Inc. (a)	100	Delaware
Poli-New England Theatres, Inc. (a)	100	Delaware
Providence Amusement Corp. (a)	100	Rhode Island
Putnam Theatrical Corporation (a)	100	New York
A.L. & S.Y., Inc. (a)	100	New York
Riviera Theatre Corporation (a)	100	Florida
St. Louis Orpheum Corporation (a)	100	Delaware
71st & 3rd Ave. Corp. (a)	100	New York
61st & Park Ave. Corp. (a)	100	New York
Squireco Building Corporation (a)	100	New York
Standard Evansville Realty Corporation (a)	100	Indiana
Talent Booking Agency, Inc. (a)	100	New York
Victoria-Seventh Avenue Corporation (a)	100	New York
Washington Theatre Corp. (a)	100	Delaware
Westchester Forum, Inc. (a)	100	New York

(a) Subsidiary included in consolidated financial statements filed herewith. More than 50% of the capital stock of such subsidiary is owned, directly or indirectly, by Registrant.

(b) Companies not included in the consolidated financial statements and for which no statements are filed. 50% or less of the capital stock of these companies is owned directly or indirectly by Registrant and all such companies considered in the aggregate do not constitute a significant subsidiary.

(c) For information relating to the CNA subsidiaries see the following page.

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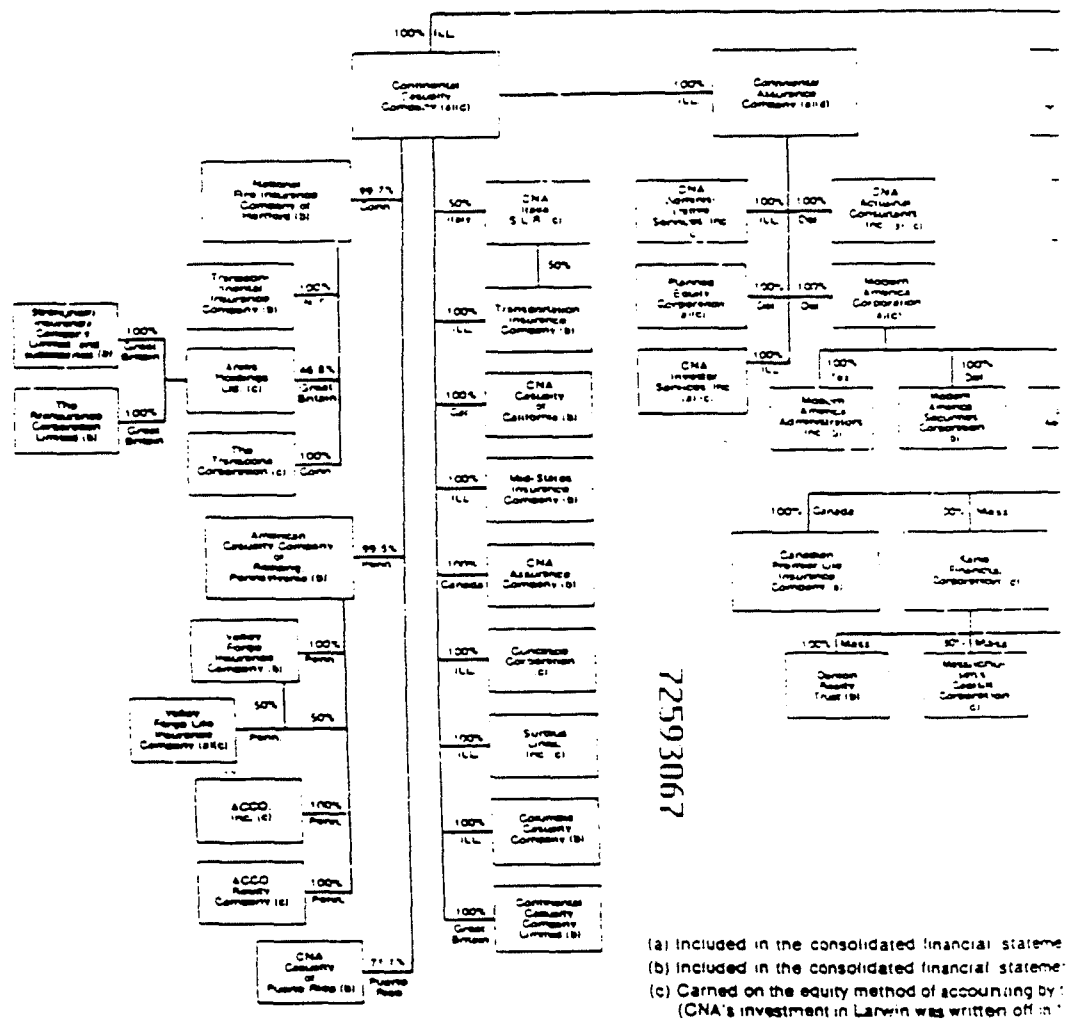
Subsidiaries of CNA

CNA FINANCIAL CORPO
CORPORATE CHA



(a) Included in the consolidated financial stateme
(b) Included in the consolidated financial stateme
(c) Carried on the equity method of accounting by
(CNA's investment in Larwin was written off in
(d) Separate financial statements are presented for

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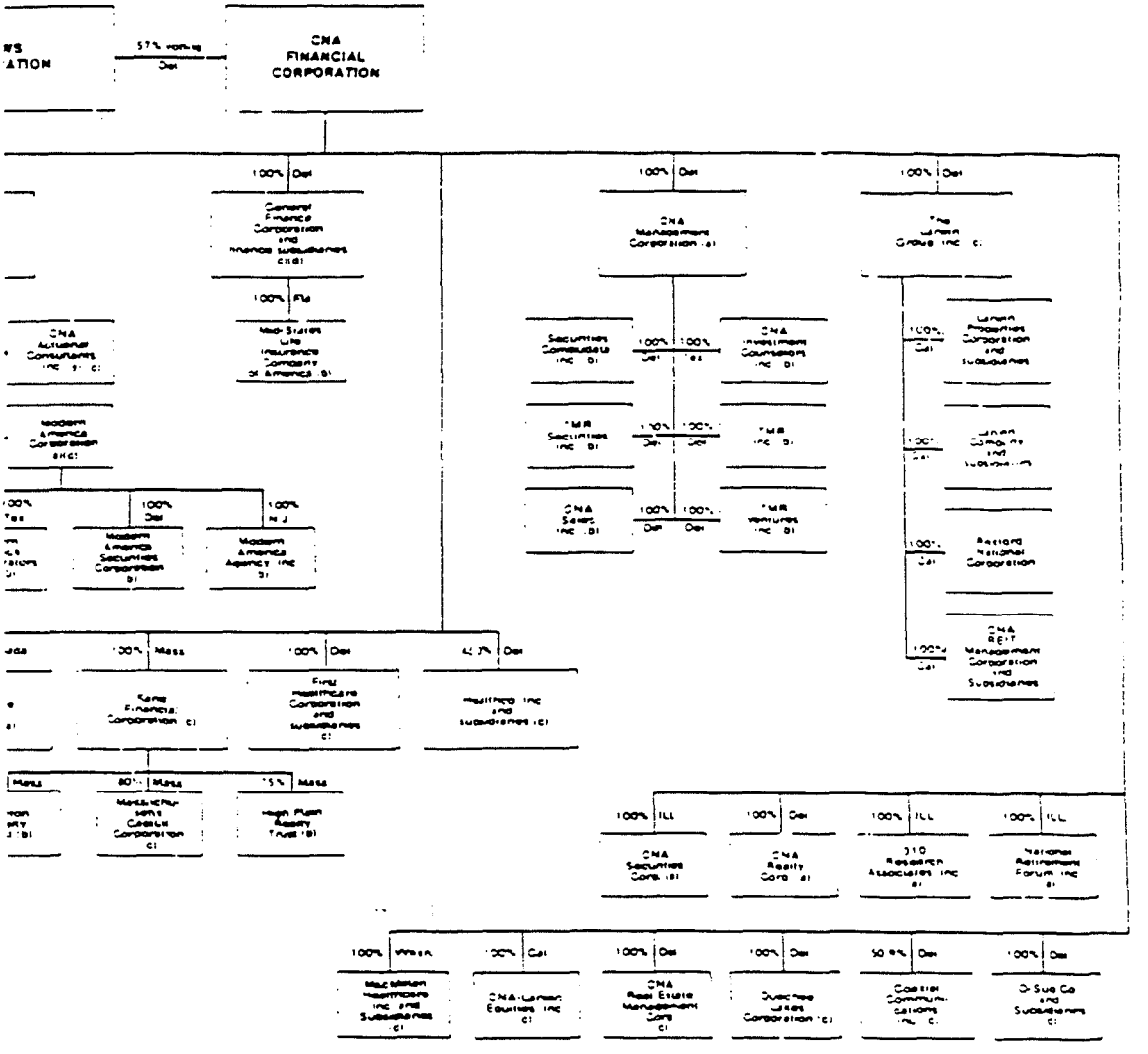
FINANCIAL CORPORATION
CORPORATE CHART



olidated financial statements of CNA Financial Corporation
olidated financial statements of the company's immediate parent
method of accounting by the parent company
Larwin was written off in 1974)
atements are presented for these companies

Prepared as of January 1, 1976

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Item 3. LEGAL PROCEEDINGS.

Litigation Relating to Lorillard. By decree dated November 16, 1941 of the Circuit Court of the United States for the Southern District of New York in a suit brought under the Sherman Act entitled *United States of America v. The American Tobacco Company and others*, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (1) making transfers of its property to any other of those corporations, (2) making any agreements of types deemed anticompetitive with any other of those corporations, (3) owning stock in a corporation whose stock is also held by another of those corporations and (4) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

In November 1971, an alleged class action was commenced against the Company, the former Lorillard Corporation and the executive officers and directors of each immediately prior to November 29, 1968 (the date Lorillard became a subsidiary of the Company), in the United States District Court for the Eastern District of North Carolina, Wilson Division, by certain former shareholders of Lorillard Corporation. Pursuant to stipulation among counsel for the parties, and approved by the Court by order entered on January 29, 1976, the complaint was amended in several respects. The amended complaint, which continues to purport to be a class action, omits the individual directors of Loew's as defendants, omits Lorillard Corporation as a defendant and omits two of the three causes of action in the prior Complaint. Plaintiffs, in one count, now seek damages in an amount to be determined, based on their claims that (1) they incurred immediate rather than deferred Federal income tax liability, not adequately disclosed in the proxy materials relating to the Lorillard merger, and (2) that had all relevant facts been disclosed Loew's would have been compelled to offer better terms to acquire Lorillard.

In July 1974 two civil antitrust actions, purporting to be class actions, were brought against the Company and a number of other tobacco companies by leaf growers, in which treble damages against the defendants aggregating $2,524,569,000 are sought. One action, filed in South Carolina, is on behalf of plaintiff and an alleged class of approximately 25,000 producers of flue-cured tobacco residing in South Carolina, and the other action, filed in Kentucky, is on behalf of plaintiff and an alleged class of approximately 400,000 burley tobacco growers in all states. In April 1975, a third purported class action alleging antitrust violations was commenced against the Company and other tobacco companies by a flue-cured tobacco producer seeking treble damages in an unspecified amount. This action, filed in North Carolina, is on behalf of plaintiff and an alleged class of producers of flue-cured tobacco residing in all states except South Carolina. The number of the alleged class members is not set forth in the complaint.

In the suit filed in South Carolina, the United States District Court for the District of South Carolina has ruled that the action is not a proper class action. The Company has concluded, based on the ruling in the South Carolina action and the opinion of counsel, that each of these actions is not a proper class action and that the ruling of the court in the South Carolina case should be affirmed on appeal. Furthermore, based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to each of the charges. See also "Item 1—Business—Lorillard Division" for information relating to litigation commenced by the United States on behalf of the Federal Trade Commission.

Litigation Relating to Theatres. Under the Consent Judgment entered in the United States District Court for the Southern District of New York on February 6, 1952, in *United States v. Loew's Incorporated, et al.*, the Company was prohibited from, among other things, acquiring additional theatres except upon a showing to the court that the acquisition would not unduly restrain competition, unless such acquisitions are replacements as defined in the Consent Judgment. On July 25, 1974, the District Court entered an order amending the Consent Judgment to provide that no court approval is required with respect to any theatre constructed by or for the Company, or with respect to the conversion of an existing theatre into a twin or multiple screen theatre.

In December 1974, an action was commenced in the United States District Court for the Southern District of New York on behalf of various individual shareholders of Century Circuit, Inc. ("Century") against the Company, a subsidiary of the Company, and Laurence A. Tisch, Chairman of the Board,

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Preston R. Tisch, President, and Bernard Myerson, Executive Vice President, of the Company, for alleged breach of an agreement relating to the purchase by a subsidiary of the Company of shares of Century [illegible] motion picture theatre operator. Plaintiff seeks specific performance of the agreement or, in the alternative, damages in an unspecified amount, together with punitive damages in the amount of $[illegible]. The case is in the discovery stage.

Litigation Relating to CNA. In March 1974 a stockholders' derivative action was filed by two alleged stockholders of CNA on behalf of CNA against Lawrence J. Weinberg, a director of CNA, and other former Larwin owners, in the United States District Court for the Northern District of Illinois, Eastern Division. The action seeks damages in excess of $45 million in favor of CNA based on the defendants' claimed violations of the anti-fraud provisions of the Securities Exchange Act of 1934 and breaches of common law, including alleged inflation of profits and property values in Larwin's financial statements in connection with the 1969 acquisition of Larwin by CNA and payment therefore. This action is in the discovery stage.

During the period October 1974 through February 1975, eight purported CNA stockholders class actions were instituted in various United States district courts against CNA and certain of its subsidiaries, CNA's independent auditors, Larwin's independent auditors, the Company, certain former officers, directors and employees of CNA and Larwin, and certain present officers and directors of CNA. These various actions were consolidated as Seiden et al. v. Nicholson et al. (74 C 3117), which is now pending in the United States District Court for the Northern District of Illinois, Eastern Division. In April 1975 a consolidated amended complaint was filed against most of the previous defendants and Winterthur Swiss Insurance Company ("Winterthur"). The consolidated complaint seeks compensatory damages in unspecified amounts. The initial complaints sought compensatory damages based essentially upon the differences between prices paid by various CNA securities purchasers, during the period January 1969 through December 1974, and later market prices or prices at which those purchasers sold their shares (including by tender to the Company). These price differentials were alleged to be as high as $24 per share for CNA Common Stock and $28.25 per share for CNA Series A Preferred Stock. The consolidated complaint charges defendants with having violated and having conspired to violate various provisions of the federal securities laws and the common law during the years 1969-1974 by concealment of adverse financial developments in the business of CNA and its subsidiaries, misrepresentation of the financial condition of CNA and its subsidiaries, and issuance and filing of false and misleading financial statements, reports, proxy statements, press releases, and other documents. These allegations refer specifically to, among other things, insurance reserves of certain CNA subsidiaries, earnings and assets of Larwin, setting of insurance premiums, reinsurance agreements with Winterthur, and CNA's 1973 dividend increase. The consolidated complaint further alleges that certain named defendants wrongfully interfered with and prevented consummation of a proposed merger with Gulf Oil Company in 1973 and wrongfully interfered with and delayed a proposed tender offer by the Company in early 1974. The consolidated complaint also alleges derivative claims on behalf of CNA. On January 30, 1976, the district court certified a class action on behalf of all persons who purchased CNA securities during the period January 1969 through December 1974 with respect to all claims in the consolidated complaint other than claims based on alleged common law fraud. Defendants have filed answers denying the material allegations in the consolidated complaint. This case is in the discovery stage. Negotiations are currently in progress which may or may not lead to settlement of the case.

In May 1975 two purported derivative actions by alleged stockholders of CNA were commenced in the United States District Court for the Southern District of New York against CNA, the Company and the directors and a former director of CNA. The actions, which were consolidated in the district court on September 30, 1975, allege violations of the anti-fraud and proxy disclosure provisions of the Securities Exchange Act of 1934 in connection with the Company's purchase from CNA of 500,000 shares of its $11.85 Cumulative Convertible Series D Junior Preferred Stock for $50,000,000. The consolidated complaint seeks rescission of the Company's purchase of such stock, an accounting for profits and damages from the defendants, other than CNA, and costs and expenses of the action, including reasonable attorneys' fees. The defendants have filed answers denying the material allegations of the consolidated complaint and set forth various affirmative defenses. The case is in the discovery stage.

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Other Executives. In January 1974 Tisch Hotels, Inc., a corporation of which Laurence A. Tisch, Chairman of the Board, and Preston R. Tisch, President, of the Company, each owned 50% of the outstanding stock, was merged into the Company pursuant to an Agreement and Plan of Merger approved by the shareholders of the Company at the Annual Meeting held in January 1974. Upon the effectiveness of the merger Laurence A. Tisch and Preston R. Tisch each received 2,752,772 shares of the Common Stock of the Company, equal in each case to 50% of the number of shares of Common Stock of the Company owned by Tisch Hotels on that date. The shares of Common Stock of the Company owned by Tisch Hotels on the effective date of the merger were retired and cancelled. The merger agreement provided for payment by Tisch Hotels of all expenses of the merger. In order that the merger not result in any increase in the number of shares of Common Stock of the Company outstanding, and to avoid the valuation problems that would have been inherent in the exchange of shares for cash or other property, the merger agreement required that Tisch Hotels dispose of all of its non-cash assets and apply its cash in payments of dividends to its shareholders and/or to the purchase of additional outstanding shares of Common Stock of the Company, so that on the effective date of the merger the assets of Tisch Hotels would consist solely of Common Stock of the Company. In accordance therewith, prior to the effective date of the merger, Tisch Hotels purchased an aggregate of 579,300 shares of Common Stock. Such shares were purchased in the open market and not from the Company.

Four asserted derivative and class actions were commenced in January 1974 by alleged shareholders of the Company against Tisch Hotels, the Company, all of the Directors of the Company except Simon H. Rifkind, and against Arthur J. Raboff and Jacob Stillman, Vice President and Treasurer of the Company, respectively, and certain subsidiaries of the Company, in the Supreme Court of the State of New York, New York County, the United States District Court for the Southern District of New York, and the Court of Chancery for the State of Delaware, in and for New Castle County, in connection with the merger of Tisch Hotels into the Company. The suits allege, in essence, a breach of fiduciary duty, fraud and usurpation of corporate opportunity in connection with the merger and the purchases of Common Stock of the Company by Tisch Hotels. The federal court actions allege fraud and violations of Sections 10b and 14a of the Securities Exchange Act of 1934, as amended. The state court actions also allege breach of fiduciary duty in connection with the Company's purchases and sales of common stock of Equity Funding Corporation of America. The relief sought by the plaintiffs in such actions includes setting aside the merger, damages and attorneys' fees and accountants' fees. In July 1975 a Stipulation of Settlement was entered into in the action pending in the Supreme Court of the State of New York, New York County, subject to notice to shareholders and approval of the Court. The proposed settlement is also applicable to the other actions. Hearings are now pending before a referee appointed by the Court to inquire into the fairness, adequacy and propriety of the proposed settlement.

In addition to the above described litigation, the Company and its subsidiaries are defendants in other legal actions. In the opinion of Management, the disposition of such additional litigation will not have a materially adverse effect on the Company's financial operations.

Item 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES.

a. There were no changes during the year ended December 31, 1975 in the amount of equity securities of the Company outstanding.

Outstanding, December 31, 1975 and December 31, 1974 ..... 12,918,632 shares

b. None.

Item 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS.

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	Approximately 11,375 as of March 24, 1976.

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Item 8. EXECUTIVE OFFICERS OF THE REGISTRANT.

Name	Position and Offices Held	Age	First Became Officer
Kenneth Abrams	Vice President	42	1973
Gerald Diamond	Vice President	50	1972
Robert J. Hausman	Vice President	52	1973
Barry Hirsch	Vice President, Secretary and General Counsel	42	1971
Harry Katz	Controller	49	1974
Bernard Myerson	Director and Executive Vice President	58	1965
Lester Pollack	Director and Executive Vice President	42	1965
Roy E. Posner	Vice President—Financial Services	42	1973
Arthur J. Raponi	Vice President	58	1960
Jacob Stillman	Treasurer	59	1958
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	53	1959
Preston R. Tisch	President and Chairman of the Executive Committee	49	1960

The Messrs. Tisch are brothers. None of the other officers or directors of the Company is related to any other.

All executive officers of the Company have been engaged actively and continuously in the business of the Company and its predecessors and subsidiaries for more than the past five years, with the exception of Mr. Hirsch. From June 1969 to October 1971, Mr. Hirsch was Vice President, Secretary and a director of B.T.B. Corporation, New York, New York and prior thereto he was a partner in the New York City law firm of Seligson & Morris.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

Item 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Unchanged from previous Form 10-K report filed for the four months ended December 31, 1974.

Item 10. FINANCIAL STATEMENTS AND EXHIBITS FILED.

The following financial statements, schedules and exhibits are filed as part of this report:

(a) Financial Statements

	Page Number
LOEWS CORPORATION AND SUBSIDIARIES:	
Opinion of Independent Certified Public Accountants	L-1
Consolidated Balance Sheet, December 31, 1975, December 31, 1974, and August 31, 1974	L-2
Statement of Consolidated Earnings for the year ended December 31, 1975, the four months ended December 31, 1974 and the year ended August 31, 1974	L-4
Statement of Changes in Consolidated Financial Position for the year ended December 31, 1975, the four months ended December 31, 1974 and the year ended August 31, 1974	L-5
Statement of Consolidated Shareholders' Equity for the year ended December 31, 1975, for the four months ended December 31, 1974 and for the year ended August 31, 1974	L-6
Notes to Consolidated Financial Statements	L-7

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	Page Number
CNA FINANCIAL CORPORATION (CNA)	
Accountants' Report	C-1
Consolidated Balance Sheet-December 31, 1975 and 1974	C-4
Statement of Changes in Consolidated Financial Position—For the two years ended December 31, 1975	C-5
Statement of Consolidated Operations—For the two years ended December 31, 1975	C-6
Statement of Consolidated Surplus—For the two years ended December 31, 1975	C-7
Balance Sheet (Parent Company)—December 31, 1975 and 1974	C-8
Statement of Changes in Financial Position (Parent Company)—For the two years ended December 31, 1975	C-9
Statement of Operations (Parent Company)—For the two years ended December 31, 1975	C-10
Statement of Surplus (Parent Company)—For the two years ended December 31, 1975	C-11
Notes to Financial Statements	C-12
CONTINENTAL CASUALTY COMPANY (Casualty)	
Accountants' Report	C-32
Consolidated Balance Sheet—December 31, 1975 and 1974	C-33
Statement of Changes in Consolidated Financial Position—For the two years ended December 31, 1975	C-34
Statement of Consolidated Operations—For the two years ended December 31, 1975	C-35
Statement of Consolidated Surplus—For the two years ended December 31, 1975	C-36
Notes to Financial Statements	C-37
CONTINENTAL ASSURANCE COMPANY (Assurance)	
Accountants' Report	C-49
Balance Sheet—December 31, 1975 and 1974	C-50
Statement of Changes in Financial Position—For the two years ended December 31, 1975	C-51
Statement of Income—For the two years ended December 31, 1975	C-52
Statement of Surplus—For the two years ended December 31, 1975	C-53
Notes to Financial Statements	C-54
GENERAL FINANCE CORPORATION (General)	
Accountants' Report	C-65
Consolidated Balance Sheet—December 31, 1975 and 1974	C-66
Statement of Changes in Consolidated Financial Position—For the two years ended December 31, 1975	C-68
Statement of Consolidated Income—For the two years ended December 31, 1975	C-69
Statement of Consolidated Surplus—For the two years ended December 31, 1975	C-70
Notes to Financial Statements	C-71
WHEELING-PITTSBURGH STEEL CORPORATION	
Report of Independent Accountants	35†
Consolidated Statement of Income and Accumulated Earnings for the Years Ended December 31, 1975 and 1974	36†
Consolidated Balance Sheet at December 31, 1975 and 1974	37†
Consolidated Statement of Changes in Financial Position for the Years Ended December 31, 1975 and 1974	38†
Notes to Financial Statements	39†
Consent of Independent Accountants	F-2
Additional Financial Data	F-3

† Refers to page numbers appearing in accompanying 1975 consolidated financial statements of Wheeling-Pittsburgh Steel Corporation

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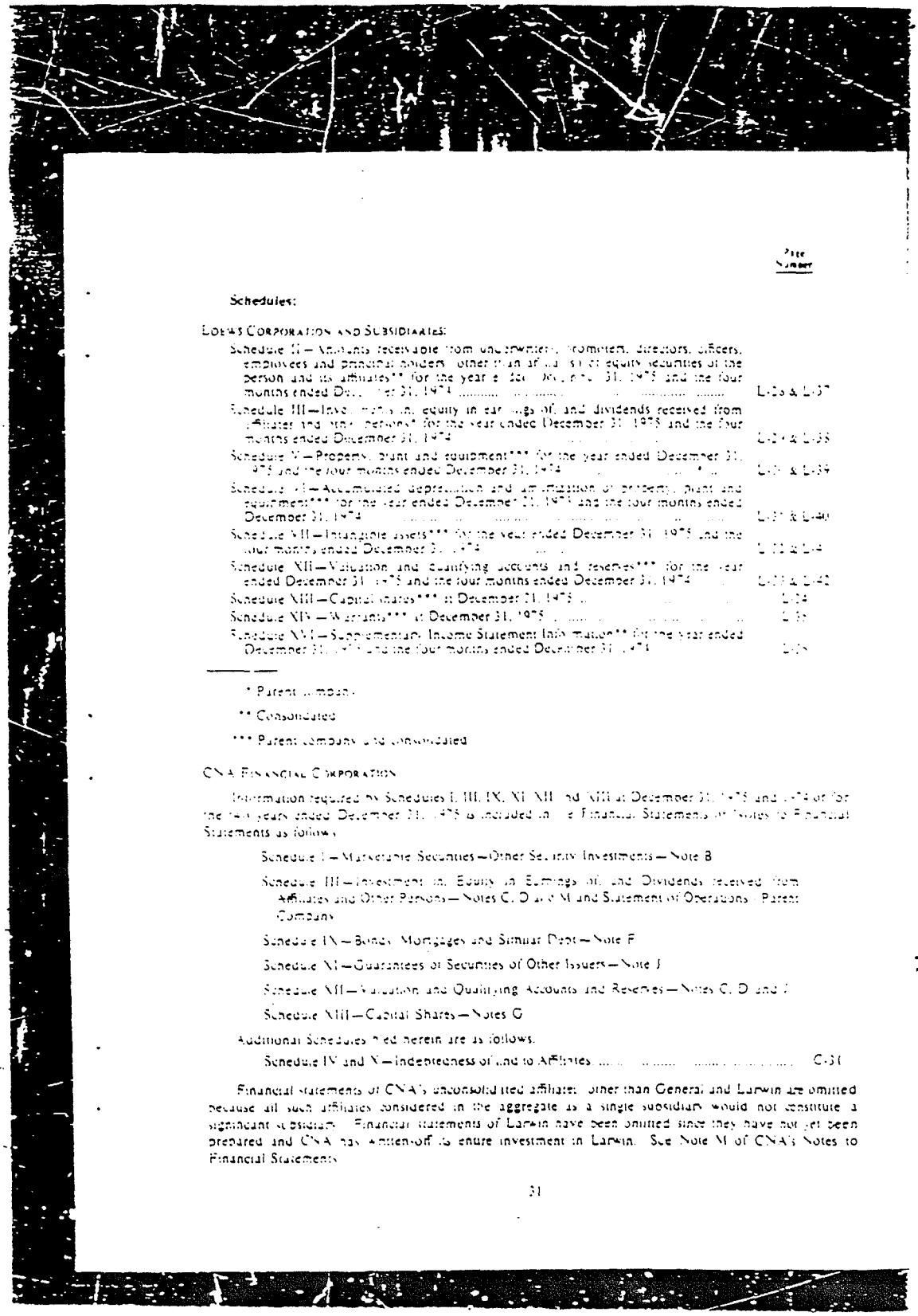

Page Number

Schedules:

LOEWS CORPORATION AND SUBSIDIARIES:

Schedule II—Amounts receivable from underwriters, promoters, directors, officers, employees and principal holders (other than affiliates) of equity securities of the person and its affiliates** for the year ended December 31, 1975 and the four months ended December 31, 1974 ..... L-36 & L-37

Schedule III—Investments in equity in earnings of and dividends received from affiliates and other persons* for the year ended December 31, 1975 and the four months ended December 31, 1974 ..... L-37 & L-38

Schedule V—Property, plant and equipment*** for the year ended December 31, 1975 and the four months ended December 31, 1974 ..... L-38 & L-39

Schedule VI—Accumulated depreciation and amortization of property, plant and equipment*** for the year ended December 31, 1975 and the four months ended December 31, 1974 ..... L-39 & L-40

Schedule VII—Intangible assets*** for the year ended December 31, 1975 and the four months ended December 31, 1974 ..... L-40 & L-41

Schedule XII—Valuation and qualifying accounts and reserves*** for the year ended December 31, 1975 and the four months ended December 31, 1974 ..... L-41 & L-42

Schedule XIII—Capital shares*** at December 31, 1975 ..... L-43

Schedule XIV—Warrants*** at December 31, 1975 ..... L-44

Schedule XVI—Supplementary Income Statement Information** for the year ended December 31, 1975 and the four months ended December 31, 1974 ..... L-45

* Parent company

** Consolidated

*** Parent company and consolidated

CNA FINANCIAL CORPORATION

Information required by Schedules I, III, IX, XI, XII and XIII at December 31, 1975 and 1974 or for the two years ended December 31, 1975 is included in the Financial Statements or Notes to Financial Statements as follows:

Schedule I—Marketable Securities—Other Security Investments—Note B

Schedule III—Investments in Equity in Earnings of and Dividends Received from Affiliates and Other Persons—Notes C, D and M and Statements of Operations—Parent Company

Schedule IX—Bonds, Mortgages and Similar Debt—Note F

Schedule XI—Guarantees of Securities of Other Issuers—Note J

Schedule XII—Valuation and Qualifying Accounts and Reserves—Notes C, D and J

Schedule XIII—Capital Shares—Notes G

Additional Schedules filed herein are as follows:

Schedule IV and V—Indebtedness of and to Affiliates C-31

Financial statements of CNA's unconsolidated affiliates other than General and Larwin are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary. Financial statements of Larwin have been omitted since they have not yet been prepared and CNA has written-off its entire investment in Larwin. See Note M of CNA's Notes to Financial Statements.

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CONTINENTAL CASUALTY COMPANY (CASUALTY)

Information required by Schedules I, II and VIII at December 31, 1975 and 1974 or for the two years ended December 31, 1975 is included in the Financial Statements or Notes to Financial Statements as follows:

Schedule I—Summary of Investments—Note 3

Schedule II—Investment in, Equity in Earnings of, and Dividends received from Affiliates—Notes 1 and 5

Schedule VIII—Capital Shares—Consolidated Balance Sheet

Additional Schedule filed herein as follows:

Schedule VII—Premiums, Claims and Claim Adjustment Expense C-49

Financial statements of Casualty's unconsolidated affiliates, other than Assurance, are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.

CONTINENTAL ASSURANCE COMPANY (ASSURANCE)

Information required by Schedules I, II and IX at December 31, 1975 and 1974 or for the two years ended December 31, 1975 is included in the Financial Statements or Notes to Financial Statements as follows:

Schedule I—Summary of Investments—Note 2

Schedule II—Investment in, Equity in Earnings of, and Dividends received from Affiliates—Note 3

Schedule IX—Capital Shares—Balance Sheet

Additional Schedules filed herein are as follows:

Schedule IV—Deferred Policy Acquisition Costs C-64
Schedule VII—Future Policy Benefits and Insurance in Force C-66

Financial statements of Assurance's unconsolidated affiliates are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.

GENERAL FINANCE CORPORATION (GENERAL):

Information required by Schedules IX, XII, XIII and XVI at December 31, 1975 and 1974 or for the two years ended December 31, 1975 is included in the Notes to Financial Statements as follows:

Schedule IX—Bonds, Mortgages and Similar Debt—Note 6

Schedule XII—Reserves—Note 3

Schedule XIII—Capital Shares—Note 7

Schedule XVI—Supplementary Income Statement Information—Note 11

WHEELING-PITTSBURGH STEEL CORPORATION

Schedule III—Investments in, equity in earnings of, and dividends received from affiliates and other persons for the year ended December 31, 1975 ..... F-6
Schedule V—Property, plant and equipment for the two years ended December 31, 1975 ..... F-7
Schedule VI—Reserves for depreciation and amortization of property, plant and equipment for the two years ended December 31, 1975 ..... F-8
Schedule XII—Valuation and qualifying accounts and reserves for the two years ended December 31, 1975 ..... F-9

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All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are omitted because of the absence of the conditions under which they are required or because the information required therein is set forth in the financial statements or the notes thereto.

(b) Exhibits:

		Page Number
1	—Computation of Earnings per Share Assuming Full Dilution for the Year Ended December 31, 1975, the Four Months Ended December 31, 1974 and the Four Years Ended August 31, 1974	L-43
2.	—Letter from Independent Certified Public Accountants Concerning Change in Accounting Principle	

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PART II

Information called for by Part II has been omitted, as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

SIGNATURES

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

LOEWS CORPORATION

By _____

Robert Tisch, Vice President — Financial Services

Dated: March 29, 1976

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Year Ended December 31, 1976 — Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue, New York, N. Y.	10019
(Address of principal executive offices)	(Zip Code)

(212) 586-4400

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No _____

Common Stock Outstanding—12,930,290 shares

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Item 1. BUSINESS

Loews Corporation (hereinafter together with its subsidiaries referred to as the "Company" or the "Registrant") is a holding company which, primarily through its subsidiaries, is engaged in the production and sale of cigarettes and other tobacco products; the operation of hotels; the exhibition of motion pictures; development of residential real estate and related projects; and, through its approximately 57% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life), consumer finance and asset management.

Information relating to the major sources from which the Company's consolidated revenues and earnings were derived is contained on page 19 of the accompanying 1976 Annual Report to Shareholders.*

* Except as indicated under Items 1 and 2 and on page L-1, no other data appearing in the 1976 Annual Report to Shareholders is deemed to be filed as part of this Annual Report on Form 10-K.

CNA Financial Corporation

The Company acquired in 1974 and 1975 approximately 57% of the outstanding voting shares of CNA, including shares of CNA acquired in the open market and through a tender offer in November 1974; through the purchase from CNA of a new issue of Series C Convertible Preferred Stock for $25,000,000 in December 1974; and through the purchase from CNA of a new issue of Series D Convertible Junior Preferred Stock for $50,000,000 in May 1975. (See "Item 5—Legal Proceedings—Litigation Relating to CNA" herein.) The tabular information herein relating to CNA is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisitions of CNA shares.

CNA, operating through subsidiaries, is primarily engaged in insurance (casualty, property, life and accident and health), and consumer finance. CNA's casualty insurance operations are conducted by Continental Casualty Company and its casualty insurance affiliates (Casualty), its life insurance business primarily by Continental Assurance Company (Assurance), and its consumer finance business by General Finance Corporation (General). In addition, CNA has interests in mutual fund management and other investment advisory services, a medical and dental equipment and supply company, cable TV systems, and real estate development and related activities primarily through The Larwin Group, Inc. (Larwin). CNA has written off its entire investment in Larwin—see note (b) below.

The following table sets forth the combined revenues and the operating income (loss) before income taxes for each of the major affiliates of CNA for the five years ended December 31, 1976, except for Larwin which is not included subsequent to September 30, 1974.

	Year Ended December 31,				
	1976	1975	1974	1973	1972
	(In millions of dollars)				
Combined revenues(a):					
Continental Casualty Company—casualty insurance	$ 913.9	$ 798.6	$ 881.1	$ 847.1	$725.2
Continental Assurance Company—life insurance	910.6	915.4	885.1	853.0	808.1
General Finance Corporation—finance operation	102.6	99.8	103.2	94.1	82.7
All other income	179.4	187.0	191.5	189.2	155.9
Total	2,106.5	2,000.8	2,060.9	1,983.4	1,771.9
The Larwin Group, Inc.—real estate development (b)			76.5	160.1	171.1
Combined revenues	$2,106.5	$2,000.8	$2,137.4	$2,143.5	$1,943.0

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	Year Ended December 31,				
	1976	1975	1974	1973	1972
	(In millions of dollars)				
Operating income (loss) before income taxes (a):					
Continental Casualty Company	$ 9.5	$ 33.7	$ (80.6)	$ 17.2	$ 77.7
Continental Assurance Company	32.7	12.8	26.9	21.3	30.2
General Finance Corporation	14.5	9.1	7.8	11.0	14.7
Other affiliates and elimination of intercompany transactions	(3.2)	(.5)	(11.4)	(1.4)	(1.0)
Income (expenses) of the parent company	4.1	(1.9)	(19.3)	(12.3)	(9.5)
Total	57.6	53.2	(76.6)	35.8	112.1
The Larwin Group, Inc. (b)			(107.1)	(8.9)	19.5
Operating income (loss) before income taxes	$ 57.6	$ 53.2	$(183.7)	$ 26.9	$ 131.6

(a) During the past five years, investment income has increased each year, but premium income has been the principal factor in the increases and decreases in combined revenues. Premium increases in 1976 were primarily in personal and commercial property casualty lines of business. Improved finance operations and investment income principally accounted for the 1976 operating gain. During 1975, management's actions to restore profitability resulted in a decline in premium revenue but also resulted in improved insurance underwriting results. Large underwriting losses were incurred during 1973 and 1974, when it became necessary for Casualty to increase the liability for claims incurred in prior years. The claims reserve strengthening was primarily a result of inflationary pressures, higher jury awards and increased litigation costs. During 1974, operating expenses increased due to the impact of inflation and a charge for policy acquisition expenses attributable to a reduction of premiums in force during the year and a limit on the amount of expense deferrable due to unfavorable claim experience. During 1975 and 1976, all group accident and health business previously written directly by Casualty was transferred to Assurance. In addition, Casualty and Assurance have a reinsurance agreement, whereby Casualty cedes 85% of its accident and health business to Assurance. These transactions had an impact on the revenues and operating results of the two companies, but had no effect on the combined revenues or total operating results of CNA. The fluctuation in General's revenues principally reflects general economic conditions in the finance industry. Changes in the operating income of General during the past 5 years relate to changes in economic conditions and fluctuating interest costs of borrowed funds. The improvement in the operating results of the Parent Company for 1975 and 1976 were primarily due to increased investment income, principally from affiliates, and a new policy initiated in 1975, whereby the Parent allocated its general administrative expenses to its major operating affiliates. The losses in prior years were attributable to increases in net investment expenses and general administrative expenses which were not allocated.

(b) CNA's Board of Directors determined in September 1974 to limit CNA's losses in Larwin to its investment in Larwin and related commitments. In 1974, CNA's operating results included Larwin's pre-tax operating losses for the first nine months in the amount of $74.3 million, and provided for loss on its remaining investment in Larwin and related commitments aggregating $32.8 million. Consequently, operating results of Larwin are not included subsequent to September 30, 1974. The principal factors contributing to Larwin's 1974 reported operating losses were increased costs of labor and materials, high interest rates, the expense of carrying land inventory, the scarcity of mortgage money and a decline in demand for new homes. In 1976 Larwin entered into agreements which provide for restructuring of bank and subordinated noteholder indebtedness of approximately $167,000,000 (see "The Larwin Group, Inc." for further information).

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Continental Casualty Company

The property-casualty business of CNA is conducted by Casualty. Casualty and Assurance constitute the eleventh largest stock multiple line insurance group in the United States based on combined premium volume for 1975.

Casualty is engaged in the writing of automobile, workers' compensation, fire and allied and other casualty lines, fidelity and surety, accident and health, and allied classes of insurance, including the acceptance of reinsurance from other companies. Casualty insurance is written in all states of the United States, the District of Columbia, Puerto Rico, Canada and Great Britain.

Classes of Insurance Written: Casualty has a reinsurance agreement with Assurance whereby approximately 85% of its accident and health business is ceded to Assurance—see Note (a) above. The following table summarizes by class of insurance the amount of net premiums written (after and before reinsurance cession to Assurance) for the five years ended December 31, 1976 (in thousands of dollars):

	1976	1975	1974	1973	1972
Accident and Health (A&H):					
Group	$ 25,181	$ 42,231	$ 54,085	$ 47,911	$ 46,506
Other	28,072	29,582	36,802	37,764	35,806
Fire and Other Property Lines (a)	215,367	182,378	184,253	204,458	176,218
Automobile (b)	154,313	113,863	117,755	145,501	144,278
Workers' Compensation	169,807	148,622	151,124	171,098	134,300
Other Casualty (c)	157,515	110,239	114,477	144,242	119,962
Fidelity and Surety	12,369	10,998	11,024	9,928	10,110
Reinsurance and International	97,188	76,567	49,321	54,737	59,615
Net Premiums Written (after cession to Assurance)	859,812	714,480	718,841	815,639	726,795
Reinsurance cession to Assurance:					
Group	76,504	189,757	235,494	226,998	211,420
Other	95,744	100,209	108,842	111,019	111,586
Total before cession to Assurance	$1,032,060	$1,004,446	$1,063,177	$1,153,656	$1,049,801

(a) Includes Extended Coverage, Tornado, Windstorm, Cyclone, Hail on Growing Crops, Personal Multiple Peril, Commercial Multiple Peril, Burglary, Glass, Riot and Civil Commotion, Vandalism and Malicious Mischief, Earthquake, Sprinkler Leakage and Water Damage, Aircraft Physical Damage, Nuclear Physical Damage, Inland and Ocean Marine, and Export Credit.

(b) Includes Bodily Injury, Property Damage and Physical Damage.

(c) Includes Bodily Injury and Property Damage (other than automobile), Boiler and Machinery and Medical Malpractice.

Claims and Expense Ratio: The following tabulation shows for the last five years the ratio of claims incurred (claim and claim adjustment expense) and underwriting expenses incurred (including policy acquisition costs and dividends to policyholders) to earned premiums:

Period	Earned Premiums (In thousands of dollars)	Claims and Claims Adjustment Expense Incurred	Underwriting Expenses Incurred	Total	Underwriting Profit (Loss)
1972	$667,956	68.3%	28.6%	96.9%	3.1%
1973	780,698	79.3	27.0	106.3	(6.3)
1974	794,353	89.4	31.7	121.1	(21.1)
1975	708,224	75.4	32.6	108.0	(8.0)
1976	809,629	80.4	31.2	111.6	(11.6)
Average		79.0%	30.3%	109.3%	(9.3)%

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Marketing: Casualty has approximately 55,000 licensed independent agents, brokers and other producers. A small percentage of the business written is produced by agents who write business exclusively for Casualty. The business written by Casualty's producers is supervised at the Home Office in Chicago, and at four regional offices and 30 branch offices located in major cities of the United States. In addition, Casualty maintains offices in Puerto Rico, Canada and Great Britain.

Investment Results: The following table shows the investment results of Casualty for the last five years (in thousands of dollars).

Period	Invested Assets(a)	Net Investment Income(b)	Net Yield	Net Realized Gain or (Loss)(c)	Net Unrealized Gain or (Loss)(c)
1972	$1,340,586	$ 57,253	4.3%	$(2,376)	$ 42,851
1973	1,483,869	66,452	4.5	(4,386)	(61,667)
1974	1,504,284	86,694	5.8	4,251	(122,347)
1975	1,553,084	90,396	5.8	48,911	(38,946)
1976	1,710,657	104,335	6.1	3,005	51,575

(a) Average of amounts at beginning and end of period.

(b) Net investment income is after deduction of investment expenses and before income taxes.

(c) After applicable income taxes.

Casualty is currently emphasizing investment in bonds. The yield on the bond portfolio is at a high level relative to historical rates. Casualty's investment in bonds, notes and redeemable preferred stocks (see Note 2 of Casualty's Notes to Financial Statements) are carried at cost. Marketable equity securities, common and preferred stocks, are carried at market value. The investments of the various companies comprising Casualty are regulated by the respective jurisdictions (Illinois, New York, Connecticut, Pennsylvania, California, Puerto Rico, Canada and Great Britain) in which they are domiciled. These jurisdictions generally prescribe the types of investments and the amount of policyholder reserves, capital and surplus which may be invested in the respective investment categories.

Continental Assurance Company

Substantially all the life insurance business of CNA is conducted by Assurance. Assurance operates in all states of the United States, the District of Columbia, Puerto Rico and Canada, writing all lines of life insurance, accident and health insurance and annuities, including variable annuities.

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Classes of Insurance: The following table summarizes by class of insurance the life insurance in force, the amount of life insurance issued and premium income for the five years ended December 31, 1976 (in thousands of dollars).

	1976	1975	1974	1973	1972
Life Insurance in Force:					
Whole life and endowment	$ 4,585,282	$ 4,595,549	$ 4,395,304	$ 4,142,506	$ 3,942,269
Term and other policies	3,031,599	3,012,322	2,913,184	2,487,576	2,121,017
Additions by dividends	194,971	181,005	164,168	143,788	126,848
Total individual	7,811,852	7,788,876	7,472,656	6,773,870	6,190,134
Less ceded	1,058,107	1,052,476	1,080,612	1,211,443	1,241,599
Group	11,909,851	10,163,254	10,369,750	9,959,403	9,498,136
Total life insurance in force (a)	$18,663,596	$16,899,654	$16,761,794	$15,521,830	$14,446,671
Life Insurance Issued:					
Direct:					
Whole life and endowment	$ 435,315	$ 697,693	$ 586,899	$ 514,026	$ 473,154
Term and other policies	304,276	310,390	417,407	385,960	290,310
Total individual	739,591	1,008,083	1,004,306	899,986	763,464
Group	1,036,850	915,160	427,050	705,360	563,154
Total direct	1,776,441	1,923,243	1,431,356	1,605,346	1,326,618
Individual assumed reinsurance	407,983	350,533	579,237	426,394	295,176
Group assumed reinsurance		28,473	1,575	196,595	17,397
Total life insurance issued (b)	$ 2,184,424	$ 2,302,249	$ 2,012,168	$ 2,228,335	$ 1,639,191
Premium Income:					
Individual life	$ 160,014	$ 161,290	$ 147,883	$ 137,574	$ 129,324
Individual A&H	108,316	112,574	121,259	122,446	124,863
Group life	114,501	113,031	115,316	116,782	115,138
Group A&H	392,483	395,329	384,606	362,793	333,117
Other considerations	3,524	2,466	5,024	8,801	10,280
Total premium income	$ 778,838	$ 784,690	$ 774,088	$ 748,396	$ 712,722
(a) Participating Life Insurance in Force is as follows:					
Individual	$ 2,524,570	$ 2,583,992	$ 2,508,043	$ 2,378,270	$ 2,291,433
Group	1,771,528	1,744,319	1,711,732	1,719,496	1,987,626
Total	$ 4,296,098	$ 4,328,311	$ 4,219,775	$ 4,097,766	$ 4,279,059
(b) Participating Life Insurance Issued is as follows:					
Individual	$ 152,954	$ 274,052	$ 285,112	$ 229,290	$ 247,389
Group	18,955	42,737	23,734	7,757	18,169
Total	$ 171,909	$ 316,789	$ 308,846	$ 237,047	$ 265,558

Termination Experience and Lapse Ratios: The following tabulation shows (in thousands of dollars) Assurance's terminations of insurance in force by cause for both individual and group life, lapse ratios and ratios of actual to expected mortality, for the five years ended December 31, 1976.

	1976	1975	1974	1973	1972
Individual Terminations					
Death and disability	$ 45,963	$ 41,603	$ 42,134	$ 39,432	$ 34,023
Maturity	5,954	5,565	5,340	5,622	4,767
Expiration	137,905	80,327	51,925	50,261	48,224
Surrender	263,814	227,513	191,455	157,623	147,361
Conversion	59,566	47,828	52,615	38,283	35,602
Lapse	581,163	587,891	543,515	384,689	346,349
Decrease	94,015	84,068	70,332	75,318	89,435
	$1,188,380	$1,074,795	$ 957,316	$ 751,228	$ 705,761
Lapse Ratios	11.2%	10.1%	9.9%	8.5%	9.0%

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	1976	1975	1974	1973	1972
Group Terminations					
Death	$ 49,313	$ 45,993	$ 38,952	$ 43,147	$ 36,643
Maturity	2,267	2,280	1,717	2,102	2,395
Disability	1,194	2,541	5,669	7,980	9,458
Expiration	356,708	757,475	657,566	597,551	463,949
Surrender	120,321	94,632	112,363	111,779	111,196
Lapse	732,372	829,428	755,275	488,170	683,955
Decrease	97,495	249,261	109,448	3,805	3,320
	$1,359,670	$1,981,610	$1,680,990	$1,254,534	$1,310,916
Ratio of Actual to Expected Mortality	55.7%	56.5%	59.4%	63.0%	54.8%

Marketing: The majority of Assurance's general agents and producers are independent contractors compensated on a commission basis within the limitations set by regulatory authorities. Service fees and expense reimbursement allowances may be paid to general agents, also within the limitations set by regulatory authorities. Assurance has approximately 30,000 licensed producers. A small percentage of the business written is produced by agents who write business exclusively for Assurance or its affiliated companies. A large percentage of Assurance's producers are brokers who also sell insurance for other companies.

Investment Results: The following table shows the investment results of Assurance for the last five years (in thousands of dollars).

Period	Invested Assets(a)	Net Investment Income(b)	Net Yield(a)	Net Realized Gain or (Loss)(c)	Net Unrealized Gain or (Loss)(c)
1972	$1,681,094	$ 93,257	5.6%	$ (102)	$ 6,729
1973	1,778,407	101,963	5.7	(1,986)	(11,900)
1974	1,800,266	106,758	5.9	(9,918)	(12,164)
1975	1,824,004	117,129	6.4	2,836	(6,187)
1976	1,914,442	123,524	6.5	(5,041)	8,209

(a) Average of amounts at beginning and end of period.

(b) Net investment income is after deduction of investment expenses and before income taxes and policyholders' interest.

(c) Realized and unrealized gains or losses are shown net of applicable taxes and allocation to participating policyholders.

Assurance invests principally in long-term fixed income obligations, such as corporate bonds. Other investments include real estate mortgage loans, policy loans, public utility bonds, real estate, redeemable preferred stocks and marketable equity securities. With respect to long-term debt securities, yields are at high levels compared to historical yields and market prices of some previously issued bonds and preferred stocks are depressed. Consequently, current market values of some of Assurance's security holdings are substantially less than carrying values. Investments in marketable equity securities are carried at market values. Assurance's investments are regulated by the Illinois Insurance Code. The Code prescribes both the types of investments which may be made and the amounts of reserves, capital and surplus which may be invested in the respective investment categories.

Reinsurance

Both Casualty and Assurance assume reinsurance from other insurers and in turn cede reinsurance to other insurers and reinsurers. Reinsurance arrangements are utilized by an insurer to limit its maximum loss, provide a greater diversification of risk and minimize exposures on larger risks. The ceding of reinsurance does not discharge the primary liability of the original underwriter to the insured, but it is the

9175007

practice of insurers to treat risks which have been reinsured with other companies, to the extent of the reinsurance, as though they were not risks for which the original insurer is liable. For detailed information regarding reinsurance see Note 7 to Casualty's Financial Statements and Note 7 to Assurance's Financial Statements, included elsewhere.

General Finance Corporation

General, with its subsidiaries, is the twelfth largest independent consumer finance company in the United States in terms of receivables outstanding at December 31, 1975. General is primarily engaged in three business activities: personal loans, automobile financing, and insurance. It is also engaged to a limited extent in the financing of equipment leases. Finance activities are carried on in 508 offices in 26 states. Personal loans, which account for the largest portion of the business, are extended directly to individuals and families for the purchase of goods for the home, payment of medical bills, tuition, vacations, and other personal needs through 488 offices. There were over 500,000 such loans outstanding at December 31, 1976. Mid-States Life Insurance Company of America, a wholly-owned subsidiary of General, licensed in 33 states and the District of Columbia, assumes liability as a reinsurer on credit insurance policies written by other companies on the lives of debtors of General.

General and its consumer finance and personal loan companies are subject to regulation by the states in which they operate, including maximum rates of interest which may be charged. General's consumer credit transactions and credit advertising are subject to the Federal Consumer Protection Act and the Equal Credit Opportunity Act. The business in which General engages is highly competitive.

The Larwin Group, Inc.

Larwin, which was acquired by CNA in 1969, is engaged in the business of housing and home development. CNA announced in 1974 that it did not intend to provide further financial support to Larwin and that it had written off its entire investment in and related commitments to Larwin. In 1976 Larwin entered into agreements with its creditor banks and noteholders and CNA, which provide for the restructuring of indebtedness to such banks and noteholders aggregating approximately $167,000,000. The Larwin bank and noteholder indebtedness had previously been converted to a demand basis upon the waiver of various defaults, including defaults in the payment of principal and interest. The restructured agreements provide a plan for repayment by Larwin of $100,000,000 of such indebtedness during a five year period ending in 1981, upon the attainment of which certain accrued and unpaid interest would be waived and the remaining indebtedness refinanced or otherwise satisfied. As of March 1, 1977, Larwin had repaid $59,457,000 of such indebtedness.

The restructured agreements are intended to enable Larwin to continue and further develop its business, as well as satisfy its indebtedness. Pusuant to the restructured agreements CNA is providing secured land loans and participating with Larwin's creditor banks in providing secured construction loans, in connection with Larwin's housing and home development business. In addition, CNA has agreed to provide surety bonds relating to such business. The home building industry is intensively competitive and Larwin competes with numerous other home builders.

CNA Management Corporation

CNA Management Corporation is engaged primarily in the business of providing investment advisory services to mutual funds, including Manhattan Fund, Inc., Fundex, Inc., Liberty Fund, Inc., Hemisphere Fund, Inc. and Schuster Fund, Inc., and, through its wholly-owned subsidiary, CNA Investment Counselors, Inc., to other concerns and individuals. Assets under management aggregated approximately $130,000,000 at December 31, 1976. Securities Compudata, Inc., another subsidiary, performs administrative services for the funds managed and for CNA and other companies. CNA Management Corporation and the mutual funds managed by it are subject to regulation by the Securities and Exchange Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940 and the Investment Adviser's Act of 1940.

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Healthco, Inc.

Healthco, Inc. ("Healthco"), 45% of the common stock of which is owned by CNA, is a Boston based company engaged in service and marketing of medical and dental equipment and supplies and the operation of dental laboratories. Healthco operates 103 branches in the United States and Canada and is the largest dental supply and dental equipment distribution company in the United States.

First Healthcare Corporation, the former patient care division of Healthco, became a wholly-owned subsidiary of CNA pursuant to a plan of reorganization adopted by Healthco stockholders in July 1972. In 1975 and 1976, First Healthcare Corporation, including its 55 convalescent facilities located in the Eastern, Midwestern and Western United States, was sold.

CNA Properties

The major administrative and home office properties owned by CNA subsidiaries are shown below:

Location	Number of Square Feet	Percentage of Space Occupied by CNA(3)	Owner
"CNA Plaza" (1) and (2) Chicago, Illinois	1,097,000	100%	Assurance
"CNA Center"(1) 55 E. Jackson Blvd. Chicago, Illinois	454,000	37	Casualty & Assurance
600 S. Commonwealth Avenue Los Angeles, Calif.	309,000	26	CNA Casualty of California
20 Trinity Street Hartford, Conn.	57,000	28	Affiliates of Casualty
412 Washington Street Reading, Pa.	111,000	100	Affiliates of Casualty
255 S. Orange Avenue Orlando, Fla.	221,000	8	Casualty & Affiliates
2600 N. Elston Avenue Chicago, Illinois	157,000	100	Casualty & Assurance
3822 Summit Kansas City, Mo.	60,000	50	Casualty

(1) Parts of the properties known as "CNA Plaza" and "CNA Center" are constructed on ground leased for periods of 99 years. These leases cover approximately 26,360 square feet of land at an annual rental of approximately $210,000. Approximately 15% of "CNA Center" is currently unrented.

(2) CNA Plaza is a forty-five story office building adjacent to the "CNA Center" that serves as the Chicago Home Office for Assurance, Casualty and CNA.

(3) Space not occupied by CNA or its subsidiaries is offered for rental; approximately 78% of such space, in the aggregate, is leased.

General leases its home office building at 1301 Central Avenue in Evanston, Illinois. CNA Management Corp. leases its principal office, which is located at 245 Park Avenue, New York City. CNA's affiliates also lease office space in various cities throughout the United States and Canada. Annual lease payments by CNA's affiliates are not material.

Lorillard Division

In November 1968 the former Lorillard Corporation became a wholly-owned subsidiary of the Company's Loew's Theatres, Inc. ("Loew's") subsidiary. Lorillard Corporation was merged into Loew's in July 1969 and its business has since been conducted as a division ("Lorillard") of Loew's.

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Tobacco Products: Cigarettes represent approximately 97% of Lorillard's net sales. The principal filter cigarette brands of Lorillard are Kent, Kent Golden Lights, Newport, True, Old Gold, Spring and Max. The principal non-filter cigarette brand is Old Gold Straights. Other tobacco products include Lorillard's little cigar brands, Between the Acts, Madison and Omega, and small cigars marketed under the brand name Erik. Lorillard's chewing tobacco brands are Beech-Nut, Big Red, Bagpipe and Havana Blossom.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for tobacco products other than cigarettes and little cigars, radio and television. In addition, Lorillard distributes Gift Star coupons with its Spring and Old Gold cigarette brands. Sales promotion activities are conducted by distribution of samples, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast antismoking messages and the Federal Communications Commission has determined that the "fairness doctrine," requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues, creates no right to reply to such messages. Federal law requires that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health." Lorillard and the other cigarette manufacturers have agreed, pursuant to consent orders entered into with the Federal Trade Commission to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner (see "Item 5—Legal Proceedings—Litigation Relating to Lorillard".)

Several states and municipalities have enacted or are considering legislation intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places. From time to time, bills have been introduced in Congress to end or limit price supports for leaf tobacco; to provide that cigarette advertising is not a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Federal Trade Commission to promulgate standards establishing maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for cancer research; and to require segregation of smokers and non-smokers on interstate public transportation and in certain areas in federal facilities.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets; and through chain store organizations and vending machine operators, many of whom purchase their requirements directly. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

International Operations: About 18% of Lorillard's total unit sales of cigarettes in the year ended December 31, 1976 were manufactured in the United States and exported. Such export sales were made by Lorillard directly and through wholly-owned subsidiaries, including a Domestic International Sales Corporation, a Western Hemisphere Trade Corporation and a foreign subsidiary (See Note 19 of the Notes to Consolidated Financial Statements.)

License agreements are in effect with nineteen cigarette manufacturers in foreign countries for the manufacture and sale of Lorillard's products on a royalty basis. P. Lorillard s.a.r.l., a Luxembourg corporation jointly owned by P. Lorillard International S.A. and HVL Participations, also manufactures certain of Lorillard's brands for markets in the Benelux countries, the United Kingdom, France, Italy and parts of Africa. Approximately 27% of Lorillard's net earnings for the year ended December 31, 1976 were attributable to exports, foreign licenses and other foreign operations. Except for a restriction with respect to a portion of the revenue from sales of cigarettes in Iran, generally there are no restrictions on repatriation of Lorillard's foreign earnings. In several countries ownership of some of Lorillard's brand

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names is claimed by others, and in several other countries prior registrations of the name "KENT", or a variation thereof, are claimed by others. Also in recent years, a number of foreign countries have taken steps to restrict cigarette advertising and to discourage cigarette smoking.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco, burley tobacco and Maryland tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by its own buyers and commission buyers at tobacco auctions (see "Item 5—Legal Proceedings—Litigation Relating to Lorillard".) Lorillard also purchases various types of Near Eastern tobacco, most of which is grown in Turkey and Greece. In addition, Lorillard uses seed leaf tobacco, which is grown mostly in Wisconsin, Ohio, Pennsylvania and Connecticut, in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives.

Due to the varying size and quality of annual crops and other economic factors, tobacco prices have in the past been subject to wide fluctuations. Among economic factors are federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1976, the average auction price per pound for flue-cured tobacco increased from a low of approximately 64.2 cents to a high of approximately $1.107, or 72.4%. During the most recent 10-year period, the average auction price per pound for burley increased from a low of approximately 69.6 cents in 1969 to a high of approximately $1.15 in 1976, or 65.2%. The prices paid by Lorillard increased with such trend. In addition to purchases at auction warehouses, Lorillard purchased substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories during those years. Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 of Notes to Consolidated Financial Statements for inventory costing methods used and accounting changes made during the years ended December 31, 1975 and August 31, 1974.

Sales Prices and Taxes: The list price per thousand of Lorillard's 100 and 120 mm filter and non-filter king size cigarettes is $14.00. The other Lorillard cigarettes are sold at a list price of $13.50 per thousand. Such figures reflect price increases effective in 1975 aggregating $.75 per thousand and a price increase effective October 1976 of $.75 per thousand. On December 20, 1976, Lorillard also posted price increases for its brands of chewing tobaccos, ranging from 4.2% to 6.7%. Cigarette prices are subject to a 2% cash discount if paid within 14 days after invoice date or 3.25% discount if payment is received no later than the tenth day after invoice date. The prices of cigarettes include Federal excise tax at the rate of $4.00 per thousand. Excise taxes on cigarettes, which are levied upon and paid by the distributors, are also in effect in the fifty states and the District of Columbia. Such taxes, including those imposed by many municipal taxing authorities, generally range from 2 cents to 23 cents per package of twenty cigarettes.

Property: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, wrapping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina and Louisville, Kentucky. The Greensboro plant is devoted exclusively to the manufacture of cigarettes. The Greensboro plant, located on approximately 79 acres, contains approximately 674,000 square feet, including a 40,000 square-foot tobacco processing plant completed in 1972. The Louisville plant, which consists of multi-storied buildings totaling about 800,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 2,000,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Lexington, Kentucky, Lancaster, Pennsylvania and Westby and Stoughton, Wisconsin. A modern research facility consisting of

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approximately 82,000 square feet is located at Greensboro. Lorillard leases executive offices at 200 East 42nd Street, New York, New York 10017.

Hotel Activities and Properties

The Company presently operates 13 hotels and motor hotels, including four hotels and two motor hotels in New York City, and one hotel in each of Washington, D. C., Quebec City, Canada, Montreal, Canada, and London, England. The Company operates resort hotels at Monte Carlo, Monaco; Paradise Island, Nassau, The Bahamas; and Santo Domingo, Dominican Republic.

The Company leases its 640-room resort hotel in Monte Carlo, which opened in August 1975, and is actively engaged in seeking new sites in Europe and the United States. The Company will enter into management and other arrangements for hotels as suitable locations are selected.

The Company provides management services to a 434-room deluxe hotel in Quebec City, Canada, and a 481-room deluxe hotel in Montreal, Canada under management agreements, and has also entered into an agreement relating to hotel development in Canada generally. It also provides management services to a 313-room resort hotel in Santo Domingo, Dominican Republic, which opened in 1976. The Company has entered into agreements relating to operation of projected hotels in Greece, Spain, Costa Rica, England and Venezuela.

The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $80,816,000 at interest rates of from 5.5% to 8.25% maturing between 1979 and 1996.

The following are the hotel properties operated by the Company and wholly-owned subsidiaries at December 31, 1976. The number of rooms in a hotel varies from time to time. All numbers of rooms in the following table are as of December 31, 1976.

Name of Hotel	Location	Type	Number of Rooms	Date Opened	Owned, Leased or Managed
Regency	New York, New York	Luxury Hotel	496	1963	Leased land
Summit	New York, New York	First Class Hotel	781	1961	Leased land
Drake	New York, New York	Luxury Hotel	642	1926*	Owned
Warwick	New York, New York	Luxury Hotel	504	1926*	Owned
Paradise Island Hotel and Villas	Paradise Island, Nassau, The Bahamas	Resort Hotel	500	1967	Leased
Howard Johnson's Motor Lodge**	New York, New York	Motor Hotel	300	1962	Leased land
Ramada Inn**	New York, New York	Motor Hotel	368	1962	Owned
The Churchill	London, England	Luxury Hotel	489	1970	Leased
L'Enfant Plaza	Washington, D. C.	Luxury Hotel	372	1973	Mgmt. Contract
Le Concorde	Quebec City, Canada	Luxury Hotel	434	1974	Mgmt. Contract
Monte Carlo	Monte Carlo, Monaco	Resort Hotel	640	1975	Leased
La Cite	Montreal, Canada	Luxury Hotel	481	1976	Mgmt. Contract
Dominicana	Santo Domingo, Dominican Republic	Resort Hotel	313	1976	Mgmt. Contract

* The Drake Hotel has been owned by the Company since 1964 and the Warwick Hotel since 1965. Rooms shown for the Drake Hotel include 185 rooms in a new wing opened in 1962.

** Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for use of the respective trade names, trademarks and other rights.

Some of the Company's hotels contain shops, a variety of restaurants and lounges, parking facilities, swimming pools, tennis courts and access to golf courses. The hotel in Monte Carlo contains a casino.

The Company has leased to a subsidiary of American Airlines, Inc. ("American") the Hotels Americana of New York, Bal Harbour, Florida, and San Juan, Puerto Rico, and the City Squire Motor Inn

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in New York City, for terms expiring between 1995 and 2002. The leases, which are guaranteed by American, provide for payment of fixed aggregate annual rentals and, commencing in August 1977, a percentage rental with provision for a maximum aggregate of fixed annual and percentage rents. In January 1977 the Company sold to subsidiaries of American the Hotel Americana of San Juan and the leasehold interest in the Hotel Americana of Bal Harbour.

Theatre Activities and Properties

The Company's theatres exhibit feature motion pictures and, occasionally, accompanying short subjects, which are licensed for exhibition by film distribution outlets in the United States.

The Company operated, as of December 31, 1976, 114 motion picture theatre screens located in 33 cities or towns in 15 states. The 114 screens are contained in 69 facilities, of which 29 are owned and 40 are leased. All are conventional theatres. The theatres operated vary in size and include suburban theatres and large, deluxe "showcase" theatres.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of film. In general, the selection of films is based on community preference, availability and terms. Films are licensed on a picture by picture basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy, ice cream products and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales.

In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The theatres owned by the Company, some of which are also commercial properties, are subject to mortgage liens securing indebtedness aggregating approximately $9,463,000 at December 31, 1976, at interest rates ranging from 5.75% to 8%, maturing between 1978 and 1994.

During the year ended December 31, 1976, the Company acquired or completed construction of two facilities with a total of seven screens located in Ft. Lauderdale, Florida and Secaucus, New Jersey. During the year the Company converted four theatres, each previously operated as a single theatre, into twin theatres and converted one theatre previously operated as a single theatre into a triple theatre. One twin theatre was converted into a triple theatre. On February 10, 1974, an agreement by the Company to acquire approximately 65% of the outstanding shares of Century Circuit, Inc., a motion picture theatre operator, expired when approval of the United States District Court for the Southern District of New York had not been obtained by the date specified under such agreement. (See "Item 5—Legal Proceedings—Litigation Relating to Theatres".)

Residential Development

Since April 1969 the Company has been engaged in the planning and construction of residential developments. Prior to August 1974 these activities were conducted in conjunction with the J. H. Snyder Company of Los Angeles, California ("Snyder"). Joint venture and other agreements between the Company and Snyder generally provided for the sharing of profits and losses. Operational responsibility was assumed primarily by Snyder, and the Company provided or arranged for financing. Effective August 30, 1974, the Company and Snyder entered into a reorganization whereby the Company transferred its interests in residential development projects to Snyder (including $58,689,367 of indebtedness owed by Snyder to the Company) in exchange for 50% of the outstanding common stock of Snyder and 66,000 shares of Snyder preferred stock. On August 4, 1975 the Company purchased an additional 49.75% of the

9175013

outstanding common stock of Snyder. The assets, liabilities and results of operations of the Snyder Company are included in the consolidated financial statements of the Company.

Operations: Snyder is involved principally in the planning, construction and sale of three projects: Glenridge in Los Angeles, Coronado Shores in San Diego, and Water Gardens in Fullerton, California. In addition, Snyder holds for sale developed and undeveloped land and some residential units in Southern and Northern California, Staten Island, New York, suburban Chicago, Illinois, and Sierra Vista, Arizona. The Company does not contemplate commencement of new residential development projects.

During 1974 and 1975 the housing market in the United States was depressed by several factors, including high rates of interest and widespread uncertainty about the outlook for the economy. In some areas, particularly California environmental considerations and requirements delayed construction and contributed to rising production costs. In 1975 Snyder decided not to develop certain projects, reduced the number of units previously planned, sold improved or partially improved lots and returned certain unused land to the sellers. In 1976 the residential housing market in Southern California, improved significantly. Snyder benefited from such improvement and, as a result, was able to reduce its inventory of land and residential units on a favorable basis.

Since its inception, Snyder has sold 5,434 residential units out of a total of 8,100 units originally planned. Of such units sold and delivered, 352 units were sold and delivered during 1976. Prices of units sold in 1976 ranged from $26,500 for a detached home to $320,000 for a condominium unit in a multifamily high-rise structure. At December 31, 1976 Snyder had an aggregate of 193 constructed but unsold, residential units (34 of which were under contracts of sale), excluding 6 models. As of that date Snyder held for sale 379 acres of improved and unimproved land.

Snyder's single-family residential units are generally sold for cash and first mortgages or deeds of trust. During 1976, the Snyder mortgage subsidiary furnished purchasers of Snyder residential units with $17,934,000 of mortgage financing at interest rates of 8% to 9% per annum. Snyder operates an escrow company to serve its California purchasers and a property management company. These companies, as well as the mortgage subsidiary, have not contributed materially to Snyder's revenues or results of operations.

Financing: At December 31, 1976, Snyder had underlying notes payable aggregating approximately $25,035,000 secured by approximately $33,108,000 of all inclusive trust deed notes receivable from buyers of apartment projects previously constructed and sold by it. These notes payable bear interest at 8% to 8.75% and mature between 1996 and 2003. From time to time, Snyder has received capital contributions from the Company. During 1976, however, Snyder was able to distribute to the Company $26,523,000 in excess of the capital contributions made by the Company to Snyder during the year. Such distribution resulted from funds generated by the sale of land, residential units and purchasers' mortgages originated by Snyder in 1976 and prior years. Since the commencement of the Company's association with Snyder, the Company has given financial and performance guarantees related to the development and sale of Snyder's projects. In addition, the Company has acted as guarantor of most of Snyder's performance, subdivision and contractor's bonds which are given in the ordinary course of developing real property.

Other Interests

The Company owns two high-rise combination commercial and apartment buildings in New York City; the land under a new office building containing approximately 2,000,000 square feet of office and commercial space in New York City; and two commercial and office buildings located respectively in New York City, and Los Angeles, California. The foregoing properties are subject to mortgages as of December 31, 1976, aggregating approximately $18,314,000, at interest rates of 5.5% to 7.5%, maturing between 1977 and 2010.

The Company is the beneficial owner of 927,000 shares of the common stock of Wheeling-Pittsburgh Steel Corporation ("Wheeling"). This holding represents approximately 25% of the outstanding common stock and 20.15% of the voting stock of Wheeling. Wheeling is an integrated steel producer, engaged in

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the manufacture of iron, steel ingots, semi-finished, finished and fabricated steel products. Wheeling owns either directly or through equity interests enterprises which supply it with a major portion of its iron ore and approximately half of the coal used in its coke ovens. See Notes 1 and 4 of Notes to Consolidated Financial Statements for information relating to the accounting treatment of the Company's share in the undistributed earnings of Wheeling and change in carrying value of the investment in Wheeling.

Competition and Regulation

Lorillard: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total factory removals (tax and tax-exempt) of all cigarettes manufactured in the United States and total factory removals (tax and tax-exempt) of cigarettes manufactured by Lorillard, indicates the relative position in the industry of Lorillard:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry
1971	578,062,000	54,309,000	9.4%
1972	598,187,000	55,494,000	9.3%
1973	646,243,000	57,638,000	8.9%
1974	635,445,000	58,764,000	9.3%
1975	650,623,000	57,947,000	8.9%**
1976	690,018,000	58,543,000	8.5%**

* Source: Reports and bulletins of the Internal Revenue Service.

** The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1976 Lorillard's share of the domestic market increased to 8% from 7.9% of such market in 1975, based on estimated cigarette output by company.

On the basis of information currently available, Lorillard ranks fifth among the major producers of tobacco products in the country.

Hotels: Competition from other hotels, motor hotels and inns, including facilities owned by local interests and facilities owned by national and international chains, is vigorous in all areas in which the Company operates facilities. The demand for hotel rooms in many areas is seasonal and is dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Because of the competitive nature of the industry, hotel and motor hotel operators must make continuing expenditures for updating, refurnishing, repairs and maintenance in order to prevent competitive obsolescence.

Theatres: The business of motion picture exhibition is also highly competitive. The Company is one of many major theatre chains in the United States. The Company operates theatres in certain areas of the United States which are heavily saturated with theatres of various national and local exhibitors. The Company faces intense competition from locally significant competitors. As a result of trade practice limitations imposed upon the eight major motion picture distributors by the various decrees entered in the cases of *United States v. Paramount, et al.* and *United States v. Loew's Incorporated, et al.* (See "Item 3—Legal Proceedings—Litigation Relating to Theatres"), the pictures of such distributors must be offered and licensed to exhibitors, including the Company, picture by picture and theatre by theatre. In addition to competition from other motion picture theatre operators, the Company's film exhibition business is confronted with other forms of competition in the entertainment field, among which are television and other forms of home entertainment, including films provided for viewing by hotel guests through hotel room television sets. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

Real Estate Development: All aspects of the real estate development and construction business are highly competitive. The projects in which Snyder is currently active are located for the most part in or near

91756015

urban areas where other builders are developing numerous housing projects of a similar nature. In each of its market areas, Snyder competes with numerous residential builders and developers. All of Snyder's residential land is subject to zoning restrictions imposed by local governments and subdivision, building and other regulations of various federal, state and local authorities. In recent years the restrictions imposed by such authorities have become increasingly strict and compliance with restrictions imposed has become more costly. Snyder's principal projects are in California, a state where significant environmental regulations have been imposed on residential developers. Litigation involving the Snyder project at Coronado with the California Coastal Zoning Commission, relating to permits to construct the remaining high-rise condominium units in the project, resulted in a final judgment in favor of Snyder, which was not appealed by the Commission. However, certain residents of Coronado sought to intervene in order to oppose the grant of relief sought by Snyder and, although intervention was denied, appeals have been filed by the proposed interveners. The appeals have been held in abeyance by the Superior Court of California until the unsuccessful interveners pay certain required fees. Snyder is proceeding with construction of the development in reliance on the judgment of the Superior Court. With respect to one of its developments, Snyder also must satisfy the valuation standards and the site, materials and construction requirements of the Veterans Administration.

CNA: All aspects of the insurance business of CNA are highly competitive. CNA competes with a large number of stock and mutual insurance companies and other entities. The insurance subsidiaries of CNA are subject to insurance regulation and supervision in each jurisdiction in which they do business. The method of such regulation varies, but generally regulation has been delegated to state insurance commissioners who are granted broad administrative powers relating to the licensing of insurers and their agents, the nature of and limitations on investments, approval of policy forms, reserve requirements and trade practices. In addition to the foregoing types of regulation, many classes of property-casualty insurance are subject to rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory.

Insurance holding company laws of several states grant additional powers to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information, and to regulate certain transactions with affiliates. In a majority of the states having such laws, if the declaration of a dividend by an insurance company subsidiary to its stockholders, together with payments during the twelve months preceding, would exceed the greater of 10% of surplus or the net operating income of a life company or the net investment income of a non-life company, for the preceding calendar year, then such declaration must be reported promptly to the commissioner and the dividend may be paid only if he does not disapprove.

Employee Relations

The Company, exclusive of CNA and its subsidiaries, employed approximately 11,200 persons at December 31, 1976. A substantial number of such personnel are represented by labor unions under separate contracts with many local unions which expire at varying times and are then severally renegotiated and renewed. The Company considers its employee relations to be satisfactory. CNA and its consolidated subsidiaries employ approximately 12,000 persons and have experienced satisfactory labor relations with no work stoppages due to labor disagreements. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees.

The Company maintains a retirement plan, group life, disability and health insurance program and a savings plan for its salaried employees. The Company has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants, with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The Company has a retirement plan, a deferred profit sharing plan and other benefits for the hourly paid employees of the Lorillard division who are represented by the foregoing unions.

91756016

Energy Crisis

The ultimate effect of the current energy crisis on the economy as a whole and, hence, on the Company's business, is uncertain at this time. To date, the impact on the Company has not been materially adverse, although direct costs of natural gas, fuel oil, electricity and steam supplied by public utilities have been materially increased, as well as costs of transportation and products manufactured from petroleum derivates used by the Company's divisions. There has been no material impact on the Company's Lorillard, hotel, theatre and residential development operations. The Company and its subsidiaries and divisions have an on-going program to conserve energy. Included in this program are measures to reduce lighting, heating, air conditioning and usage of machinery to minimum needs consistent with safety and security.

Item 2. SUMMARY OF OPERATIONS

The Summary of Operations and related earnings and dividend per share data and Management's Discussion and Analysis of the Summary of Operations appearing at pages 14 through 17 of the accompanying 1976 Annual Report to Shareholders are furnished in response to the requirement of this item.**

** See footnote on page 1.

Item 3. PROPERTIES.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1 hereof.

Item 4. PARENTS AND SUBSIDIARIES.

Name of Subsidiary	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
CNA Financial Corporation (a)(c)	57%	Delaware
Aliceira, Inc.(a)	100	New York
Clinton-Court Corporation (a)	100	New York
801 Seventh Avenue, Inc. (a)	100	New York
Hanseatic Development Corp. (b)	40	Delaware
J. H. Snyder Company (a)	99.75	California
L and S Operating Co. (a)	100	California
Loews Astor Plaza, Inc. (a)	100	New York
Loews Harmon Cove Cinemas, Inc. (a)	100	New Jersey
Loews Inverrary, Inc.(a)	100	Florida
Loews Nassau Cinemas, Inc. (a)	100	New York
Loews Park Central Cinemas, Inc.(a)	100	Texas
Warwick Operating Corp. (a)	100	New York
Loew's Theatres, Inc. (a)	100	New York
A.E.W., Inc. (a)	100	Delaware
Astoria Theatre Corporation (a)	100	New York
Bal Harbour Hotel Corporation (a)	100	Florida
Canal Realty & Improvement Co., Inc. (a)	100	Louisiana
Central Broadway Corporation (a)	100	New York

91756017

Name of Subsidiary	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
Cleveland Theatres, Inc. (a)	100	Ohio
Columbia-Palace Corporation (a)	100	Delaware
Diamond Amusement Corporation (a)	100	New York
District Amusement Corporation (a)	100	New York
Evaluation Consumer Bureau, Inc. (a)	100	New York
Evans Theatre Corporation (a)	100	Delaware
51st & 8th Ave. Corp. (a)	100	New York
56th & Park Ave. Corp. (a)	100	New York
Firm Amusement Corporation (a)	100	New York
French Marketing & Representation Corp. (a)	100	Delaware
1st Ave.-17th St. Corp. (a)	100	New York
48th St. & 8th Ave. Corp. (a)	100	New York
Gates Theatre Corporation (a)	53.89	New York
Gerard Theatre Corporation (a)	100	New York
Hinsdale Amusement Corporation (a)	100	New York
LGC Holding Corporation (a)	100	New York
Lance Theatre Corporation (a)	100	New York
Lawton General Corp. (a)	100	New York
Loew's Bahamas Hotel Limited (a)	100	Bahamas
Loew's Boulevard Corporation (a)	100	New York
Loews Clearing Corporation (a)	100	New York
Loew's Dayton Theatre Company (a)	100	Ohio
Loew's (Great Britain) Limited (a)	100	United Kingdom
Loews Hotels (Canada) Ltd. (a)	100	Ontario
Loews Hotels Monaco S.A.M. (a)	100	Monaco
Loew's Hotels, Inc. (a)	100	New York
Hoteles Loews S.A. (a)	100	Spain
Loews Hotels Corporation (a)	100	Costa Rica
Loews Hotels (Frankfurt), Inc. (a)	100	Delaware
Loew's Hotels (Hamburg) G.m.b.H. (a)	100	W. Germany
Loews Hotels Quebec, Inc. (a)	100	Delaware
Loews Dominicana, Inc.(a)	100	Delaware
Loews Hotels Montreal Inc. (a)	100	Delaware
Loews Technical Services, Inc.(a)	100	Delaware
Loews Washington Hotel Corp. (a)	100	District of Columbia
Loew's/Lorillard International Services S.A. (a)	100	Belgium
Loews Realty, Inc. (a)	100	Delaware
Coney Island Theatre, Inc. (a)	100	New York
57th Holding Corporation (a)	100	New York
53rd & 7th Corp. (a)	100	New York
Market and Taylor Building Company (a)	100	California

91756018

Name of Subsidiary	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
Midland Investment Corporation (a)	100	Missouri
Moredall Realty Corporation (a)	100	New York
Sejo General Corp. (a)	100	New York
Seventh and Broadway Building Company(a)	100	California
Tower 58 Corporation (a)	100	New York
L. R. I., Inc.(a)	100	New York
Loew's Reservations, Ltd. (a)	100	Quebec
Loew's Securities Corp. (a)	100	New York
Loew's Summit, Inc. (a)	100	New York
Loew's Theatre & Realty Corporation (a)	100	Delaware
Americana, Inc. (b)	50	Florida
Broadway Ventures, Inc. (b)	50	Florida
Hawthorne Amusement Corporation (a)	66.67	New York
Loews Kendall Mall, Inc. (b)	50	Florida
Loews Skylake Mall, Inc. (b)	50	Florida
Lorillard Asia, Ltd. (a)	100	Hong Kong
Lorillard International Sales Corp. (a)	100	Delaware
Lorillard Tobaco De Colombia S.A. (a)	100	Colombia
Marcus Loew Booking Agency (a)	100	New York
New-Broad Company (a)	100	New Jersey
New Buffalo Amusement Corporation (a)	100	Delaware
Orpheum-86 St. Corp. (a)	100	New York
Parkchester Amusement Corporation (a)	100	New York
Parsippany Theatre Corp. (a)	100	New Jersey
P. Lorillard International S.A. (a)	100	Switzerland
P. Lorillard s.a.r.l. (b)	50	Luxembourg
P. Lorillard Pan American, Inc. (a)	100	Delaware
Poli-New England Theatres, Inc. (a)	100	Delaware
Putnam Theatrical Corporation (a)	100	New York
A.L. & S.Y., Inc. (a)	100	New York
St. Louis Orpheum Corporation (a)	100	Delaware
71st & 3rd Ave. Corp. (a)	100	New York
61st & Park Ave. Corp. (a)	100	New York
Squireco Building Corporation (a)	100	New York
Standard Evansville Realty Corporation (a)	100	Indiana
Victoria-Seventh Avenue Corporation (a)	100	New York
Washington Theatre Corp. (a)	100	Delaware
Westchester Forum, Inc. (a)	100	New York

(a) Subsidiary included in consolidated financial statements filed herewith. More than 50% of the capital stock of such subsidiary is owned, directly or indirectly, by Registrant.

(b) Companies not included in the consolidated financial statements and for which no statements are filed. 50% or less of the capital stock of these companies is owned directly or indirectly by Registrant, and all such companies considered in the aggregate do not constitute a significant subsidiary.

(c) For information relating to the CNA subsidiaries see the following page.

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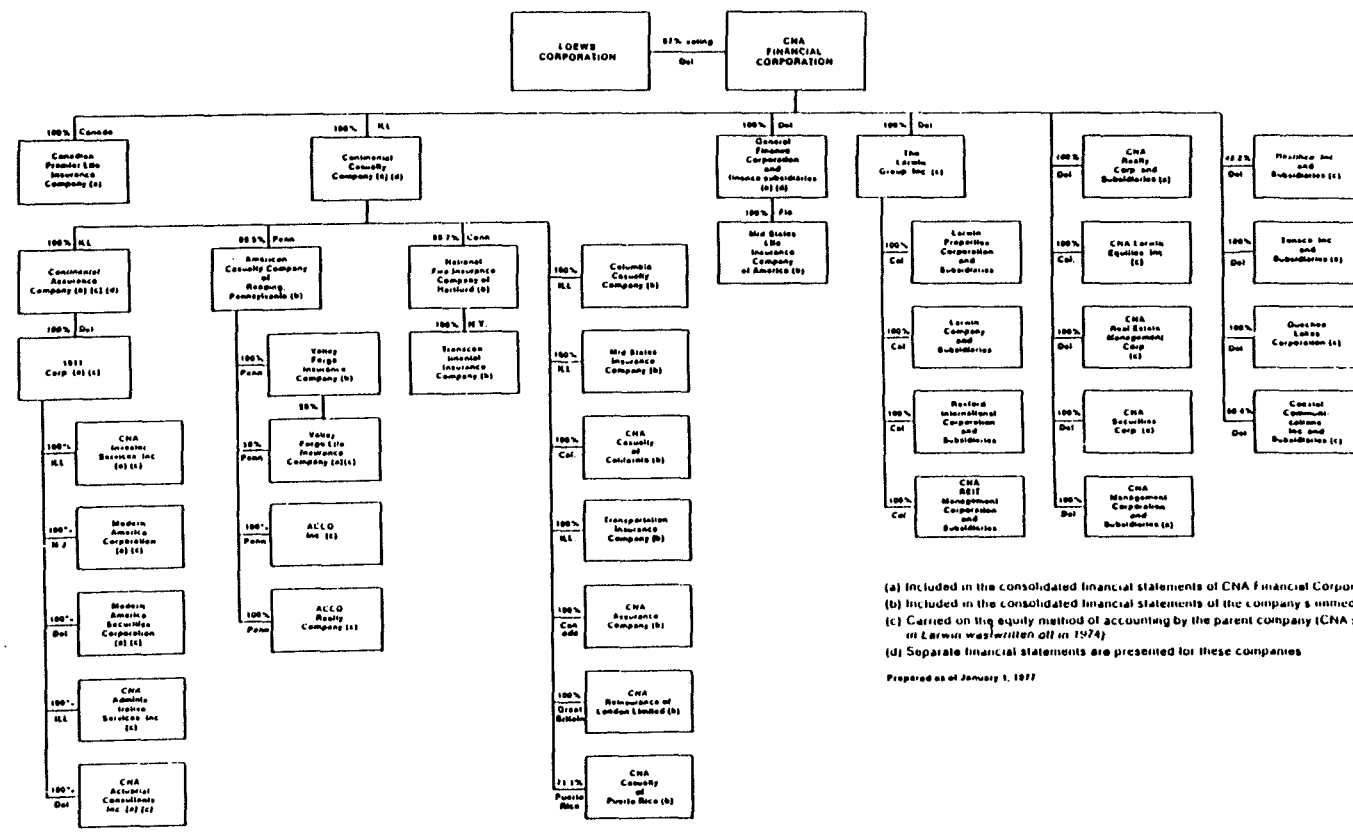
CNA FINANCIAL CORPORATION
CORPORATE CHART



(a) Included in the consolidated financial statements of CNA Financial Corporation

(b) Included in the consolidated financial statements of the company's immediate parent

(c) Carried on the equity method of accounting by the parent company (CNA's investment in Larwin was written off in 1974)

(d) Separate financial statements are presented for these companies

Prepared as of January 1, 1977

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Item 5. LEGAL PROCEEDINGS.

Litigation Relating to Lorillard: By decree dated November 16, 1911, of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America* v. *The American Tobacco Company and others*, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (1) making transfers of its property to any other of those corporations, (2) making any agreements of types deemed anti-competitive with any other of those corporations, (3) holding stock in a corporation whose stock is also held by another of those corporations and (4) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

In November 1971 an alleged class action was commenced against the Company, the former Lorillard Corporation and the executive officers and directors of each immediately prior to November 29, 1968 (the date Lorillard became a subsidiary of the Company), in the United States District Court for the Eastern District of North Carolina, Wilson Division, by certain former shareholders of Lorillard Corporation. Pursuant to stipulation among counsel for the parties, and approved by the Court by order entered on January 29, 1976, the complaint was amended in several respects. The amended complaint, which continues to purport to be a class action, omits the individual directors of Loew's as defendants, omits Lorillard Corporation as a defendant and omits two of the three causes of action in the prior Complaint. Plaintiffs, in one count, now seek damages in an amount to be determined, based on their claims that (1) they incurred immediate rather than deferred Federal income tax liability, not adequately disclosed in the proxy materials relating to the Lorillard merger, and (2) that had all relevant facts been disclosed Loew's would have been compelled to offer better terms to acquire Lorillard. The case is still in a preliminary stage.

Three civil actions purporting to be class actions, two of which were brought in July 1974 and one of which was brought in April 1975, are pending against the six major United States cigarette manufacturers, including the Company, and others, in which certain tobacco farmers allege violations of the antitrust laws and seek damages of approximately $43,000,000, $336,000,000, and an unspecified amount, respectively, plus attorneys' fees and costs. The Company has denied any violation of law and is vigorously contesting the actions. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to each of the alleged charges. The District Court in one of the three actions determined that the action could not be maintained as a class action. On appeal, a three-judge panel of the Court of Appeals, by a two-to-one vote, concluded that the District Court should have permitted the case to proceed as a class action on the issue of whether or not the defendants had violated the antitrust laws. The Company and other corporate defendants filed a Petition for Rehearing in the Court of Appeals, challenging the correctness of the panel's decision, and requesting reconsideration by the entire Court. That Petition was granted by order dated December 13, 1976. The entire Court of Appeals has reheard the appeal and its decision is pending. The District Courts in the other two cases have not as yet determined whether those cases may be maintained as class actions. No adjustments or provisions have been made on account of the litigation.

In October 1975 the United States, on behalf of the Federal Trade Commission (the "Commission"), commenced an action in the United States District Court for the District of Columbia against Lorillard and five other major cigarette manufacturers, alleging concerted violation of consent orders entered into with the Commission relating to inclusion of the health warning statement appearing on cigarette packages, in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes. The action seeks penalties in unspecified amounts and injunctive relief, including creation of a trust fund to remedy alleged failure to warn the public of the health hazards of smoking. The action has been transferred to the United States District Court for the Southern District of New York. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to the action.

Litigation Relating to Theatres: Under the Consent Judgment entered in the United States District Court for the Southern District of New York on February 6, 1952, in *United States* v. *Loew's Incorporated*,

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et al., the Company was prohibited from, among other things, acquiring additional theatres except upon a showing to the court that the acquisition would not unduly restrain competition, unless such acquisitions are replacements as defined in the Consent Judgment. On July 25, 1974, the District Court entered an order amending the Consent Judgment to provide that no court approval is required with respect to any theatre constructed by or for the Company, or with respect to the conversion of an existing theatre into a twin or multiple screen theatre.

In December 1974, an action was commenced in the United States District Court for the Southern District of New York on behalf of various individual shareholders of Century Circuit, Inc. ("Century") against the Company, a subsidiary of the Company, and Laurence A. Tisch, Chairman of the Board, Preston R. Tisch, President, and Bernard Myerson, Executive Vice President, of the Company, for alleged breach of an agreement relating to the purchase by a subsidiary of the Company of shares of Century, a motion picture theatre operator. Plaintiff seeks specific performance of the agreement or, in the alternative, damages in an unspecified amount, together with punitive damages in the amount of $5,000,000. The case is in the discovery stage. An application to intervene has been made by a shareholder on behalf of herself and all other shareholders similarly situated, except plaintiffs and a former officer of Century. The allegations and relief sought are essentially similar to the existing action except punitive damages are sought amounting to $2,500,000. Defendants will oppose the application.

Litigation Relating to CNA: In May 1975, two purported derivative actions by alleged stockholders of CNA were commenced in the United States District Court for the Southern District of New York against CNA's directors, CNA and the Company. The actions have been consolidated. The consolidated complaint alleges violations of the anti-fraud and proxy disclosure provisions of the Securities Exchange Act of 1934 in connection with the Company's purchase from CNA of 500,000 shares of a new issue of $11.85 Cumulative Convertible Series D Junior Preferred Stock for $50,000,000. The consolidated complaint seeks rescission of the Company's purchase of such stock, an accounting for alleged profits and damages from the defendants, other than CNA, and costs and expenses of the action, including reasonable attorneys' fees. The Company's answer denies the material allegations of the complaint and sets forth various affirmative defenses. The action is in the preliminary discovery stage.

Other Litigation: Four asserted derivative and class actions were commenced in January 1974 by alleged shareholders of the Company against Tisch Hotels, Inc. ("Tisch Hotels") the Company, all of the then directors of the Company except Simon H. Rifkind, and against Arthur J. Raporte and Jacob Stillman, Vice President and Treasurer of the Company, respectively, and certain subsidiaries of the Company, in the Supreme Court of the State of New York, New York County, the United States District Court for the Southern District of New York, and the Court of Chancery for the State of Delaware, in and for New Castle County, in connection with the merger of Tisch Hotels into the Company in January 1974. The suits allege, in essence, a breach of fiduciary duty, fraud and usurpation of corporate opportunity in connection with the merger and related purchases of Common Stock of the Company by Tisch Hotels, 50% of the stock of which was owned by each of Laurence A. Tisch and Preston R. Tisch. The federal court actions allege fraud and violations of Sections 10b and 14a of the Securities Exchange Act of 1934, as amended. The state court actions also allege breach of fiduciary duty in connection with the Company's purchases and sales of common stock of Equity Funding Corporation of America. The relief sought by the plaintiffs in such actions includes setting aside the merger, damages and attorneys' fees and accountants' fees. In July 1975 a Stipulation of Settlement was entered into in the action pending in the Supreme Court of the State of New York, New York County, subject to notice to shareholders and approval of the Court. The proposed settlement is also applicable to the other actions. Hearings are now pending before a referee appointed by the Court to inquire into the fairness, adequacy and proprietary of the proposed settlement.

Pending litigation also includes other civil and antitrust actions for damages. Because of the nature of litigation, it is not possible to predict the outcome of these actions; however, in the opinion of Management, the outcome of such actions should not materially affect the business or assets of the Company and its subsidiaries.

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Item 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES.

(a) Common Stock ($1.00 par value):

Number of shares outstanding as of December 31, 1975	12,918,628
Number of shares issued under the Company's Qualified Stock Option Plan between February and December 1976	1,662
Exercise of Warrants—July 1976	10,000
Number of shares outstanding as of December 31, 1976	12,930,290

(b) None.

Item 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS.

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	Approximately 10,900 as of February 4, 1977

Item 8. EXECUTIVE OFFICERS OF THE REGISTRANT.

Name	Position and Offices Held	Age	First Became Officer
Kenneth Abrams	Vice President	43	1975
Gerald Diamond	Vice President	61	1972
Robert J. Hausman	Vice President	53	1973
Barry Hirsch	Vice President, Secretary and General Counsel	43	1971
Harry Katz	Controller	50	1974
Bernard Myerson	Director and Executive Vice President	59	1963
Lester Pollack	Director and Executive Vice President	43	1965
Roy E. Posner	Vice President—Financial Services	43	1973
Arthur J. Raporte	Vice President	59	1960
Jacob Stillman	Treasurer	60	1958
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	54	1959
Preston R. Tisch	President and Chief Operating Officer	50	1960

The Messrs. Tisch are brothers. None of the other officers or directors of the Company is related to any other. All executive officers of the Company have been engaged actively and continuously in the business of the Company and its predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

Item 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Unchanged from previous Form 10-K report filed for the year ended December 31, 1975.

91756023

Item 10. FINANCIAL STATEMENTS AND EXHIBITS FILED.

The following financial statements, schedules and exhibits are filed as part of this report:

(a) Financial Statements

	Page Number
LOEWS CORPORATION AND SUBSIDIARIES:	
See accompanying Index to Financial Statements	L-1
CNA FINANCIAL CORPORATION (CNA):	
Accountants' Reports	C-1
Consolidated Balance Sheet-December 31, 1976 and 1975	C-5
Statement of Changes in Consolidated Financial Position—For the two years ended December 31, 1976	C-6
Statement of Consolidated Operations—For the two years ended December 31, 1976	C-7
Statement of Consolidated Stockholders' Equity—For the two years ended December 31, 1976	C-8
Balance Sheet (Parent Company)—December 31, 1976 and 1975	C-9
Statement of Changes in Financial Position (Parent Company)—For the two years ended December 31, 1976	C-10
Statement of Operations (Parent Company)—For the two years ended December 31, 1976	C-11
Statement of Stockholders' Equity (Parent Compar.)—For the two years ended December 31, 1976	C-11
Notes to Financial Statements	C-12
CONTINENTAL CASUALTY COMPANY (Casualty):	
Accountants' Reports	C-2
Consolidated Balance Sheet—December 31, 1976 and 1975	C-28
Statement of Changes in Consolidated Financial Position—For the two years ended December 31, 1976	C-29
Statement of Consolidated Operations—For the two years ended December 31, 1976	C-30
Statement of Consolidated Stockholders' Equity—For the two years ended December 31, 1976	C-31
Notes to Financial Statements	C-32
CONTINENTAL ASSURANCE COMPANY (Assurance):	
Accountants' Reports	C-3
Balance Sheet—December 31, 1976 and 1975	C-43
Statements of Changes in Financial Position—For the two years ended December 31, 1976	C-44
Statement of Operations—For the two years ended December 31, 1976	C-45
Statement of Stockholders' Equity—For the two years ended December 31, 1976	C-45
Notes to Financial Statements	C-46
GENERAL FINANCE CORPORATION (General):	
Accountants' Reports	C-4
Consolidated Balance Sheet—December 31, 1976 and 1975	C-57
Statement of Changes in Consolidated Financial Position—For the two years ended December 31, 1976	C-58
Statement of Consolidated Income—For the two years ended December 31, 1976	C-59
Statement of Consolidated Stockholders' Equity—For the two years ended December 31, 1976	C-59
Notes to Financial Statements	C-60

91756024

	Page Number
WHEELING-PITTSBURGH STEEL CORPORATION:	
Report of Independent Accountants	17†
Consolidated Statement of Income and Accumulated Earnings for the Years Ended December 31, 1976 and 1975	10†
Consolidated Balance Sheet at December 31, 1976 and 1975	11†
Consolidated Statement of Changes in Financial Position for the Years Ended December 31, 1976 and 1975	13†
Notes to Financial Statements	14†
Consent of Independent Accountants	F-2
Additional Financial Data	F-3

† Refers to page numbers appearing in accompanying 1976 consolidated financial statements of Wheeling-Pittsburgh Steel Corporation.

Schedules:

	Page Number
LOEWS CORPORATION AND SUBSIDIARIES:	
See accompanying Index to Financial Statements	L-1

CNA FINANCIAL CORPORATION:

Information required by Schedules I, III, IX and XIII at December 31, 1976 and 1975 or for the two years ended December 31, 1976 is included in the Financial Statements or Notes to Financial Statements as follows:

Schedule I—Marketable Securities—Other Security Investments—Note C

Schedule III—Investment in, Equity in Earnings of, and Dividends Received from Affiliates and Other Persons—Note K and Statement of Operations (Parent Company)

Schedule IX—Bonds, Mortgages and Similar Debt—Note D

Schedule XIII—Capital Shares—Note E

Additional Schedules filed herein are as follows:

Schedule IV and X—Indebtedness of and to Affiliates (Parent Company)	C-25
Schedule XII Valuation and Qualifying Accounts and Reserves	C-26 & 27

Financial statements of CNA's unconsolidated affiliates, other than Larwin, are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary. Financial statements of Larwin have been omitted since they have not yet been prepared and CNA has written-off its entire investment in Larwin.

CONTINENTAL CASUALTY COMPANY (CASUALTY):

Information required by Schedule I at December 31, 1976 and 1975 is included in the Financial Statements or Notes to Financial Statements as follows:

Schedule I—Summary of Investments—Note 3

Additional Schedules filed herein as follows:

Schedule II—Investment in, Equity in Earnings of, and Dividends Received from Affiliates—Note 1	C-41
Schedule VII—Premiums, Claims and Claim Adjustment Expense	C-42

Financial statements of Casualty's unconsolidated affiliates, other than Assurance, are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.

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CONTINENTAL ASSURANCE COMPANY (ASSURANCE):

Information required by Schedule I at December 31, 1976 and 1975 is included in the Financial Statements or Notes to Financial Statements as follows:

Schedule I—Summary of Investments—Note 3

Additional Schedules filed herein are as follows:

Schedule VII—Future Policy Benefits and Insurance in Force C-54
Schedule IV—Deferred Policy Acquisition Costs C-56

Financial statements of Assurance's unconsolidated affiliates are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.

GENERAL FINANCE CORPORATION (GENERAL):

Information required by Schedules IX, XII, XIII and XVI at December 31, 1976 and 1975 or for the two years ended December 31, 1976 is included in the Notes to Financial Statements as follows:

Schedule IX—Bonds, Mortgages and Similar Debt—Note 5

Schedule XII—Reserves—Note 3

Schedule XIII—Capital Shares—Note 6

Schedule XVI—Supplementary Income Statement Information—Note 10

WHEELING-PITTSBURGH STEEL CORPORATION:

Schedule III—Investment in, equity in earnings of, and dividends received from affiliates and other persons for the two years ended December 31, 1976 ..... F-7 & F-8
Schedule V—Property, plant and equipment for the two years ended December 31, 1976 ..... F-9
Schedule VI—Reserves for depreciation and amortization of property, plant and equipment for the two years ended December 31, 1976 ..... F-10
Schedule XII—Valuation and qualifying accounts and reserves for the two years ended December 31, 1976 ..... F-11

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are omitted because of the absence of the conditions under which they are required, or because the information required is set forth in the consolidated financial statements or the accompanying notes.

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(b) Exhibits:

		Page Number
1.	Computation of Earnings per Share Assuming Full Dilution for the Two Years Ended December 31, 1976, the Four Months Ended December 31, 1974 and the Three Years Ended August 31, 1974	L-22
2.	Letter from Independent Certified Public Accountants Concerning Change in Accounting Principles	
3.	Employment agreement dated April 1, 1976 between the Company and Lester Pollack	
4.	Employment agreement dated as of June 1, 1976 between Loriliard, a division of Loew's Theatres, Inc., and Curtis H. Judge	
5.	Amendment dated September 1, 1976 to Employment Agreement between the Company and Bernard Myerson	

PART II

Information called for by Part II has been omitted, as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

SIGNATURES

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

LOEWS CORPORATION

By ROY E. POSNER

(Roy E. Posner, Vice President—Financial Services)

Dated: March 29, 1977

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SECURITIES AND EXCHANGE COMMISSION
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DISCLOSURE INCORPORATED

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Year Ended December 31, 1977 — Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue, New York, N. Y.	10019
(Address of principal executive offices)	(Zip Code)

(212) 586-4400

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No _____

Common Stock Outstanding—12,019,619 shares

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Item 1. BUSINESS.

Loews Corporation (hereinafter, together with its subsidiaries referred to as the "Company" or the "Registrant") primarily through its subsidiaries is engaged in the production and sale of cigarettes and other tobacco products; the operation of hotels; the exhibition of motion pictures; development of residential real estate and related projects; and, through its approximately 57% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life), consumer finance and asset management.

Information relating to the major sources from which the Company's consolidated revenues and income were derived is contained on page 14 and at Note 11 to the Company's consolidated financial statements in the accompanying 1977 Annual Report to Shareholders.*

CNA Financial Corporation

The Company acquired in 1974 and 1975 approximately 57% of the outstanding voting shares of CNA, including shares of CNA acquired in the open market and through a tender offer in November 1974; through the purchase from CNA of a new issue of Series C Convertible Preferred Stock for $25,000,000 in December 1974; and through the purchase from CNA of a new issue of Series D Convertible Junior Preferred Stock for $50,000,000 in May 1975. (See Item 3—"Legal Proceedings—Litigation Relating to CNA" herein.) The tabular information herein relating to CNA is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisition of CNA shares.

CNA, operating through subsidiaries, is engaged in property and casualty insurance, life insurance and consumer finance. CNA's property and casualty insurance operations are conducted by Continental Casualty Company and its casualty insurance affiliates (Casualty) and its life insurance operations primarily by Continental Assurance Company (Assurance). The consumer finance business is conducted by General Finance Corporation (General). In addition, CNA has interests in mutual fund management and investment advisory services, a medical and dental equipment and supply company, and real estate development and related activities primarily through The Larwin Group, Inc. (Larwin).

Consolidated revenues, operating income (loss) before income tax, and assets for each major segment of CNA's business are shown below. This summary should be read in conjunction with CNA's consolidated financial statements.

	Years Ended December 31,				
	1977	1976	1975	1974	1973
	(In millions of dollars)				
Revenues					
Property and casualty insurance(a)	$1,124.2	$ 913.9	$ 798.6	$ 881.1	$ 847.1
Life insurance(a)	1,005.0	963.6	972.5	941.0	907.2
Consumer finance	112.4	102.6	99.8	103.2	94.1
Other and eliminations	11.4	10.6	(.1)	5.0	8.1
Total revenues	$2,253.0	$1,990.7	$1,870.8	$1,930.3	$1,856.5

* Except as indicated under Items 1 and 2 and on Page L-1, no other data appearing in the 1977 Annual Report to Shareholders is deemed to be filed as part of this Annual Report on Form 10-K.

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	Years Ended December 31,				
	1977	1976	1975	1974	1973
	(In millions of dollars)				
Operating Income (Loss) Before Income Tax					
Property and casualty insurance(a)	$ 41.4	$ 9.5	$ 33.7	$ (80.6)	$ 17.2
Life insurance(a)	50.3	32.5	14.4	26.5	22.2
Consumer finance(b)	16.5	12.6	9.1	7.8	11.0
Other and eliminations(c)	5.5	3.0	(4.0)	(137.4)	(23.5)
Total operating income (loss)	$ 113.7	$ 57.6	$ 53.2	$ (183.7)	$ 26.9
Assets					
Property and casualty insurance(a)	$2,524.2	$2,239.4	$2,022.3	$1,884.6	$2,002.8
Life insurance(a)	2,817.1	2,721.3	2,515.5	2,357.2	2,299.8
Consumer finance(b)	515.3	470.9	457.9	478.6	452.6
Other and eliminations	79.0	2.0	18.2	54.6	177.5
Total assets	$5,935.6	$5,433.6	$5,013.9	$4,775.0	$4,932.7

(a) Casualty has a reinsurance agreement under which it cedes approximately 85% of its accident and health premiums to Assurance. The cession of earned premiums, claims and claims expense is based on the pro-rata participation in the related business and the ceding commission is dependent on claims experience. The premium revenue assumed by Assurance in millions of dollars was: 1977, $164.6; 1976, $172.2; 1975, $290.0; 1974, $344.3; and 1973, $338.0. Related Assurance pre-tax operating income (loss) in millions of dollars was: 1977, $3.7; 1976, $5.2; 1975, $(22.7); 1974, $(3.9); and 1973, $(11.0). The assets and liabilities related to this business remain with Casualty.

(b) The operating results and assets of General have been adjusted for goodwill as described in Note A to CNA's consolidated financial statements. Annual amortization is $1.9 million beginning in 1976.

(c) Other operating income (loss) includes Larwin and other unconsolidated affiliates, although Larwin's operating results are not included subsequent to September 30, 1974 (see Note I to CNA's consolidated financial statements). Operating losses for Larwin are included in 1974 and 1973 in the amounts of $107.1 million and $8.9 million, respectively.

Property and Casualty Insurance

Casualty sells commercial lines of property and casualty and accident and health insurance products, through independent agents and brokers, to customers located primarily in the United States. Casualty offers many types of insurance in order to compete for commercial accounts. Customer insurance requirements affect the price and availability of various classes of insurance, which are offered in combinations. Therefore, it is not appropriate to assess profitability or identify assets for a given class of insurance because of its relationship to other insurance products written.

Property and casualty insurance business is obtained through approximately 43,000 licensed independent agents and brokers. A small percentage of business written is produced by agents who write exclusively for Casualty. Producers are located throughout the United States and Puerto Rico and are serviced through four regional offices and 31 branch offices located in major cities throughout the country. Casualty competes with numerous insurance companies for both producers and customers. The following

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table sets forth supplemental data for the property and casualty business, including the volume of net premiums written for similar classes of insurance.

	Years Ended December 31,				
	1977	1976	1975	1974	1973
	(In millions of dollars)				
Volume					
Premiums written:					
Fire and other property lines(a)	$ 237.2	$ 215.3	$ 182.5	$ 184.2	$ 204.5
Automobile(b)	192.9	154.3	113.9	117.3	145.5
Workers' compensation	228.8	159.8	148.6	151.1	171.1
Other casualty(a)	231.9	157.5	110.2	114.5	144.2
Reinsurance and international	126.6	97.2	76.5	49.3	54.7
Fidelity and surety	13.8	12.4	11.0	11.0	9.9
Accident and health:					
Individual	117.0	123.8	129.8	145.6	148.8
Group	107.3	101.7	232.0	289.6	274.9
Total	1,255.5	1,032.0	1004.5	1,063.1	1,153.6
Accident and health ceded to Assurance:					
Individual	90.3	95.7	100.2	108.8	111.0
Group	74.3	76.5	189.8	235.5	227.0
Net premiums written	$1,090.9	$ 859.8	$ 714.5	$ 718.8	$ 815.6
Revenues					
Premiums earned	$ 999.3	$ 809.6	$ 708.2	$ 794.4	$ 790.7
Net investment income	124.9	104.3	90.4	86.7	56.4
Total revenues	$1,124.2	$ 913.9	$ 798.6	$ 881.1	$ 847.1
Assets					
Investments	$2,005.3	$1,790.3	$1,613.2	$1,483.9	$1,320.8
Investment in unconsolidated life affiliates	263.7	226.2	206.8	19.4	22.3
Other	518.9	449.1	407.1	400.7	482.0
Total assets	$2,787.9	$2,465.6	$2,229.1	$1,904.0	$2,025.3
Operating Income (Loss) and Other Data					
Operating income (loss) before income tax:					
Casualty	$ 41.4	$ 9.5	$ 33.7	$ (80.6)	$ 17.2
Unconsolidated life affiliates	49.0	32.0	13.9	.3	1.1
Total operating income (loss)	$ 90.4	$ 41.5	$ 47.6	$ (80.3)	$ 18.3
Trade ratios(d):					
Loss and loss expense ratio	76.8%	80.4%	75.4%	89.4%	79.3%
Expense ratio	30.2	30.7	32.0	30.9	26.8
Combined	107.0%	111.1%	107.4%	120.3%	106.1%
Investment yield(e)	6.5%	6.1%	5.8%	5.8%	4.5%

(a) Includes Extended Coverage, Tornado, Windstorm, Cyclone, Hail on Growing Crops, Personal Multiple Peril, Commercial Multiple Peril, Burglary, Glass, Riot and Civil Commotion, Vandalism and Malicious Mischief, Earthquake, Sprinkler Leakage and Water Damage, Aircraft Physical Damage, Nuclear Physical Damage, Inland and Ocean Marine and Export Credit.

(b) Includes Bodily Injury, Property Damage and Physical Damage.

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(c) Includes Bodily Injury and Property Damage (other than automobile), Boiler and Machinery and Medical Malpractice.

(d) The loss and loss expense ratio is based on incurred losses to premiums earned. The expense ratio is the sum of the ratios of statutory underwriting expenses to premiums written, and policyholders' dividends to premiums earned.

(e) Investment yield is calculated on the basis of net investment income before income taxes and average (beginning and end of year) invested assets.

Life Insurance

The life insurance business of CNA is conducted by Assurance which operates in all states of the United States, the District of Columbia and Puerto Rico. Assurance is in the business of issuing life, accident and health and disability contracts to provide financial assistance to individuals in the case of death, illness, or disability. This business is marketed to individuals both directly and through groups and is frequently offered in various combinations to a single customer. The interdependence of insurance products written makes it inappropriate to assess profitability or to identify assets for a given class of insurance.

Life insurance is produced by approximately 27,000 licensed producers. A small percentage of business written is produced by agents who write business exclusively for CNA. The majority of Assurance's general agents and producers are independent contractors, who sell insurance for Assurance and for other companies on a commission basis. General agents may also be paid service fees and an expense reimbursement allowance. CNA competes with other mutual and stock life insurance companies for producers and customers.

The following table sets forth supplemental data for the life insurance business, including volume data and premium revenues for similar classes of insurance.

	Years Ended December 31				
	1977	1976	1975	1974	1973
	(In millions of dollars)				
Volume					
Life insurance in force:					
Individual	$ 8,015.4	$ 7,811.9	$ 7,788.9	$ 7,472.7	$ 6,773.9
Group	12,235.4	11,909.8	10,163.3	10,369.7	9,959.4
Less ceded	1,142.2	1,058.1	1,052.5	1,080.6	1,211.5
Net Assurance	19,108.6	18,663.6	16,899.7	16,761.8	15,521.8
Other affiliates(a)	1,495.8	2,486.0	3,935.4	4,094.2	3,557.3
Net life insurance in force	$20,604.4	$21,149.6	$20,835.1	$20,856.0	$19,079.1
Life insurance issued:					
Individual	$ 1,247.0	$ 1,224.3	$ 1,425.7	$ 1,671.1	$ 1,389.2
Group	2,279.0	3,106.2	1,775.1	2,091.3	1,850.6
Total Assurance	3,526.0	4,330.5	3,200.8	3,762.4	3,239.8
Other affiliates	205.7	539.6	795.9	1,360.1	1,256.3
Total life insurance issued	$ 3,731.7	$ 4,870.1	$ 3,996.7	$ 5,122.5	$ 4,496.1
Terminations:					
Individual	$ 1,043.5	$ 1,201.3	$ 1,109.4	$ 972.3	$ 805.4
Group	1,953.4	1,359.7	1,981.6	1,681.0	1,389.4
Total Assurance	2,996.9	2,561.0	3,091.0	2,653.3	2,194.8
Other affiliates	1,402.4	1,986.4	1,028.2	819.9	660.2
Total terminations	$ 4,399.3	$ 4,547.4	$ 4,119.2	$ 3,473.2	$ 2,855.0

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	Years Ended December 31,				
	1977	1976	1975	1974	1973
	(In millions of dollars)				
Revenues					
Premiums:					
Individual life	$ 158.9	$ 160.6	$ 161.7	$ 148.9	$ 138.2
Individual accident and health	14.8	13.6	13.1	12.9	13.1
Group life and health	477.2	432.4	319.9	268.0	259.1
Accident and health assumed from Casualty:					
Individual	90.3	95.7	100.2	108.8	111.0
Group	74.3	76.5	189.8	235.5	227.0
Total premiums, Assurance	815.5	778.8	784.7	774.1	748.4
Net investment income	139.9	123.6	117.1	106.8	102.0
Other	10.4	12.3	13.6	4.2	2.6
Total revenues, Assurance	965.8	914.7	915.4	885.1	853.0
Other affiliates	39.2	48.9	57.1	55.9	54.2
Total revenues	$ 1,005.0	$ 963.6	$ 972.5	$ 941.0	$ 907.2
Assets					
Investments	$ 2,058.5	$ 1,971.9	$ 1,854.8	$ 1,791.4	$ 1,808.7
Other assets	693.5	613.8	522.8	440.0	370.6
Total assets, Assurance	2,752.0	2,585.7	2,377.6	2,231.4	2,179.3
Other affiliates	65.1	135.6	137.9	125.8	120.5
Total assets	$ 2,817.1	$ 2,721.3	$ 2,515.5	$ 2,357.2	$ 2,299.8
Operating Income and Other Data					
Operating income before income tax:					
Assurance	$ 47.3	$ 31.9	$ 11.4	$ 26.5	$ 21.3
Other affiliates	3.0	.6	3.0		.9
Total operating income	$ 50.3	$ 32.5	$ 14.4	$ 26.5	$ 22.2
Assurance:					
Lapse ratio—individual life (b)	10.5%	11.2%	10.1%	9.9%	8.5%
Participating policyholders—per cent of net life insurance in force	22.1%	22.8%	25.3%	24.9%	26.2%
Investment yield (c)	7.2%	6.7%	6.6%	6.1%	5.9%

(a) Other affiliates are net of insurance ceded.

(b) Lapse ratio is for terminations after the first year and is calculated on the basis of current year termination (other than death or maturity) and life insurance in-force at the beginning of the year plus new issues during the preceding year.

(c) Investment yield is calculated on the basis of net investment income before income taxes and average (beginning and end of year) invested assets.

Reinsurance

Both property and casualty and life operations assume and cede insurance from other insurers. Reinsurance arrangements are utilized by Casualty and Assurance to limit their maximum loss, provide greater diversification of risk and minimize exposures on larger risks. The ceding of insurance does not discharge the primary liability of the original underwriter. It is the practice of insurers to treat the portion of the risks which have been reinsured with other companies as though they were not risks for which the original insurer is liable. For additional information relating to reinsurance see Note 7 of Casualty's and Assurance's notes to financial statements.

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Consumer Finance

General, in the course of its consumer finance business, makes direct installment loans to individuals. General also purchases sales finance contracts from merchants, and acquires automobile finance contracts from automobile dealers. Direct installment loans (personal loans) account for the largest portion of the business and are extended directly to individuals and families for the purchase of goods for the home, payment of medical bills, tuition, vacation, and other personal needs. In connection with its financing activities, General, through a wholly-owned subsidiary, Mid-States Life Insurance Company of America, reinsures credit life and disability insurance purchased by its customers. Fire and property insurance also is offered to insure collateral on secured loans made to customers. Consumer finance activities are conducted through 521 offices in 26 states.

The consumer finance business is financed by General's capital and issuance by it of long-term notes (senior, subordinate, and capital) and commercial paper and short-term borrowings under lines of credit with commercial banks.

The following table sets forth supplemental data relating to the consumer finance business, including volume data for similar classes of loans.

	Years Ended December 31,				
	1977	1976	1975	1974	1973
	(In millions of dollars)				
Volume (a)					
Personal loans:					
Direct installment	$402.6	$373.8	$329.4	$351.7	$343.3
Sales finance	44.4	31.3	22.2	32.7	30.5
Automobile finance	47.2	36.2	33.0	50.9	63.3
Revenues					
Personal loans	$ 85.8	$ 77.7	$ 73.4	$ 73.8	$ 66.6
Automobile finance	5.3	4.8	6.1	8.0	7.6
Credit insurance	21.3	20.1	20.3	21.4	19.9
Total revenues	$112.4	$102.6	$ 99.8	$103.2	$ 94.1
Assets					
Net finance receivables	$434.6	$388.4	$375.4	$391.8	$375.5
Other	46.8	46.7	44.8	49.1	39.4
Total assets	$481.4	$435.1	$420.2	$440.9	$414.9
Operating Income and Other Data					
Operating income before income tax	$ 18.4	$ 14.5	$ 9.1	$ 7.8	$ 11.0
Average direct installment loans (in dollars) (b)	$1,065	$1,010	$ 964	$ 934	$ 851
Number of branch offices	521	508	504	520	502
Average percentage interest rates on borrowings:					
Short-term	5.26%	5.50%	7.19%	9.87%	7.63%
Long-term	7.73	7.78	7.56	7.68	8.07
All debt	7.10	6.68	7.31	8.95	7.44

(a) Volume for direct installment loans is net, after deducting unearned finance charges; and automobile and sales finance volume is on a gross basis, including unearned finance charges.

(b) The average is based on number of accounts and direct installment loan volume.

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Other Interests

CNA Management Corporation, a wholly owned subsidiary, is engaged primarily in the business of providing investment advisory and administrative services to mutual funds, other firms and individuals. Assets under management aggregated approximately $287,000,000 at December 31, 1977. CNA Management Corporation and the mutual funds managed are subject to regulation by the Securities and Exchange Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940 and the Investment Adviser's Act of 1940.

Larwin, a wholly owned subsidiary, is principally engaged in the development of single-family housing and related real estate activities. Larwin homes are primarily financed under conventional mortgages. For information concerning restructuring of Larwin's indebtedness, purchase of Larwin's notes by CNA, and recognition of Larwin's results of operations by CNA, see Note 1 to CNA's consolidated financial statements.

CNA owns 45% of the common stock of Herlihy, Inc., which is engaged in service and marketing of medical and dental equipment and supplies and the operation of dental laboratories. Herlihy operates 103 branches in the United States and Canada, and is the largest dental supply and equipment distribution company in the United States.

CNA Properties

The major administrative and home office properties owned by CNA subsidiaries are shown below:

Location	Number of Square Feet	Percentage of Space Occupied by CNA (2)	Owner
"CNA Plaza" (1)			
Chicago, Illinois	1,097,000	100%	Assurance
55 E. Jackson Blvd.(1)			
Chicago, Illinois	454,000	23	Casualty and Assurance
412 Washington Street			
Reading, Pennsylvania	111,000	100	Affiliates of Casualty
255 S. Orange Avenue			
Orlando, Florida	221,000	*	Casualty and Affiliates
2600 N. Elston Avenue (Warehouse)			
Chicago, Illinois	157,000	100	Casualty and Assurance
3822 Summit			
Kansas City, Missouri	80,000	30	Casualty

(1) The properties known as CNA Plaza and the adjacent building are partially constructed on ground leased for periods of 99 years. These leases cover approximately 26,360 square feet of land at an annual rental of approximately $212,000. CNA Plaza is a forty-five story office building that serves as the Home Office for Assurance, Casualty and CNA.

(2) Space not occupied by CNA or its subsidiaries is offered for rental; approximately 82% of such space, in the aggregate, is leased to others.

General leases its home office building at 1301 Central Avenue in Evanston, Illinois. CNA Management Corporation leases its principal office, which is located at 127 John Street, New York City from an affiliate. CNA's affiliates also lease space in various cities throughout the United States and Canada. Annual lease payments by CNA's affiliates are not material.

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Lorillard Division

Sales of cigarettes account for approximately 97% of the net sales of the Lorillard division (Lorillard) of Loew's Theatres, Inc. (Loews). The principal filter cigarette brands of Lorillard are Kent, Kent Golden Lights, Newport, Newport Lights, True, Old Gold, Old Gold Lights, Spring and Max. The principal non-filter cigarette brand is Old Gold Straights. Other tobacco products include Lorillard's little cigar brands, Between the Acts, Madison and Omega, and small cigars marketed under the brand name Erik. Lorillard's chewing tobacco brands are Beech-Nut, Big Red, Bagpipe and Havana Blossom.

Advertising and Sales Promotion. Lorillard's principal brands are advertised and promoted extensively. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for tobacco products other than cigarettes and little cigars, radio and television. In addition, Lorillard distributes Gold Star coupons with its Spring and Old Gold cigarette brands. Sales promotion activities are conducted by distribution of samples, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast all smoking messages, and the Federal Communications Commission has determined that the "fairness doctrine," requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues creates no right to reply to such messages. Federal law requires that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking is Dangerous to Your Health." Lorillard and the other cigarette manufacturers have agreed, pursuant to consent orders entered into with the Federal Trade Commission (Commission) to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner (see Item 3—"Legal Proceedings—Litigation Relating to Lorillard".)

Several states and municipalities have enacted or are considering legislation intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places. From time to time, bills have been introduced in Congress to end or limit price supports for leaf tobacco; to provide that cigarette advertising is not a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Commission to promulgate standards establishing maximum acceptable levels of "tar", nicotine and other "incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for cancer research; and to require segregation of smokers and non-smokers on interstate public transportation and in certain areas in federal facilities.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets; and through chain store organizations and vending machine operators, many of whom purchase their requirements directly. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco, burley tobacco and Maryland tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by its own buyers and commission buyers at tobacco auctions (see Item 3—"Legal Proceedings—Litigation Relating to Lorillard".) Lorillard also purchases various types of Near Eastern tobacco, which is grown in Turkey and Greece. In addition Lorillard uses seed leaf tobacco which is grown mostly in Wisconsin, Ohio, Pennsylvania and Connecticut, for use in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives.

Due to the varying size and quality of annual crops and other economic factors, tobacco prices have in the past been subject to wide fluctuation. Among economic factors are federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These

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controls, together with export prices, substantially affect the market prices of tobacco. In the ten years ended in 1977, the average auction price per pound for flue-cured tobacco increased from a low of approximately 66.6 cents to a high of approximately $1.124, or 7%. During the most recent 10-year period, the average auction price per pound for burley increased from a low of approximately 59.6 cents in 1969 to a high of approximately $1.20 in 1977, or 7.2%. The prices paid by Lorillard increased with such trend. In addition to purchases at auction warehouses, Lorillard purchased substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories during those years. Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 to the Consolidated Financial Statements for inventory costing methods used.

Sales Prices and Taxes. The list price per thousand of Lorillard's 100 and 120mm filter and non-filter king size cigarettes is $14.85. The other Lorillard cigarettes are sold at a list price of $14.25 per thousand. Such figures reflect a price increase effective in October 1976 of $.75 per thousand and a price increase effective August 1977 of $.85 per thousand. Cigarette prices are subject to a 2% cash discount if paid within 14 days after invoice date or a 3.25% discount if payment is received no later than the tenth day after invoice date. The prices of cigarettes include Federal excise tax at the rate of $4.00 per thousand. Excise taxes on cigarettes, which are levied upon and paid by the distributors, are now in effect in the fifty states and the District of Columbia. Such taxes, including those imposed by many municipalities, generally range from 2 cents to 23 cents per package of twenty cigarettes.

International. See Note 16 to the Consolidated Financial Statements for information relating to the sale of Lorillard's rights to its cigarette brands outside the United States and U.S. possessions and certain assets relating thereto.

Property. The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, stripping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina, and Louisville, Kentucky. The Greensboro plant is devoted exclusively to the manufacture of cigarettes. The Greensboro plant, located on approximately 76 acres, contains approximately 922,000 square feet, including a 240,000 square-foot processing plant completed in 1972. The Louisville plant, a unit consists of reinforced buildings totaling about 867,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia containing approximately 2,443,000 square feet, and facilities for receiving, grading and storing leaf tobacco at Lexington, Kentucky, Lancaster, Pennsylvania, any Weeks and Stevenson, Wisconsin. A Western research facility consisting of approximately 32,000 square feet is located at Greenville. Lorillard leases executive offices at 200 East 42nd Street, New York, New York 10017.

Hotel Activities and Properties

The Company presently operates 14 hotels and motor inns, including four hotels and two motor hotels in New York City, two hotels in London, England, and one hotel in each of Washington, D.C., Quebec City, Canada and Montreal, Canada. The Company operates resort hotels at Monte Carlo, Monaco, Paradise Island, Nassau, Bahamas, at San Domingo, Dominican Republic.

The Company is actively engaged in seeking new sites in the United States, Europe and other areas. The Company will enter into management and other arrangements for hotels as suitable locations are selected. The Company has entered into agreements relating to the operation of projected hotels in San Francisco, California, Dallas, Texas, Switzerland, Greece, Spain, England and Venezuela.

The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $20,535,000, bearing interest rates ranging

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from 5.5% to 8.35%, and maturing between 1978 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $43,245,000 at interest rates ranging from 5% to 9%.

The following are the hotel properties currently operated by the Company and wholly-owned subsidiaries. The number of rooms in a hotel varies from time to time. All numbers of rooms in the following table are as of December 31, 1977.

Name of Hotel	Location	Type	Number of Rooms	Date Opened	Owned, Leased or Managed
Regency	New York, New York	Luxury Hotel	[illegible]	1963	Leased Land
Summit	New York, New York	First Class Hotel	[illegible]	1961	Leased Land
Drake	New York, New York	Luxury Hotel	642	1926*	Owned
Warwick	New York, New York	Luxury Hotel	[illegible]	1926*	Owned
Paradise Island Hotel and Villas	Paradise Island, Nassau, Bahamas	Resort Hotel	[illegible]	[illegible]	Leased
Howard Johnson's Motor Lodge**	New York, New York	Motor Hotel	340	1962	Leased Land
Ramada Inn**	New York, New York	Motor Hotel	368	1962	Owned
The Churchill	London, England	Luxury Hotel	189	1970	Leased
Montcalm	London, England	Luxury Hotel	112	1973*	Leased
Tilden Plaza	Washington, D.C.	Luxury Hotel	172	1973	Mgmt. Contract
Le Concorde	Quebec City, Canada	Luxury Hotel	414	1974	Mgmt. Contract
Monte Carlo	Monte Carlo, Monaco	Resort Hotel	300	425	Leased
Le Cite	Montreal, Canada	Luxury Hotel	401	1976	Mgmt. Contract
Dominicana	Santo Domingo, Dominican Republic	Resort Hotel	311	1976	Mgmt. Contract

* The Drake Hotel has been owned by the Company since 1964 and the Warwick Hotel since 1965. Rooms shown for the Drake Hotel include 185 rooms in a new wing opened in 1962. The Montcalm Hotel was acquired at the end of 1977.

** Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for use of the respective trade names, trademarks and other rights.

The Company's hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses. The hotel in Monte Carlo contains a casino.

The Company has leased to a subsidiary of American Airlines, Inc. ("American") the Hotel Americana of New York and the City Squire Motor Inn in New York City, for terms expiring in 2002 and 2001, respectively. The leases, which are guaranteed by American, provide for payment of fixed aggregate annual rentals and, commencing in August 1977, a percentage rental with provision for a maximum aggregate of fixed annual and percentage rents. In January 1977 the Company sold to a subsidiary of American the Hotel Americana of San Juan and the leasehold interest in the Americana of Bal Harbour, which had been leased to American subsidiaries in 1972. The financial statements, as restated, reflect the initial transaction in 1972 as sales-type leases and the subsequent dispositions in 1977 as sales of the Company's remaining interests.

Theatre Activities and Properties

The Company's theatres exhibit feature motion pictures and, occasionally, accompanying short subjects, which are licensed for exhibition by film distribution outlets in the United States.

The Company operates 117 motion picture theatre screens located in 32 cities or towns in 14 states. The 117 screens are contained in 64 facilities, of which 22 are owned and 42 are leased. All are conventional theatres. The theatres operated vary in size and include suburban theatres and large, deluxe "showcase" theatres.

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The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of film. In general, the selection of films is based on community preference, availability and terms. Films are licensed on a picture by picture basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy, ice cream products and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales.

In many instances, the properties owned or leased include, in the theatre building, commercial space or property, such as office and stores. The theatres owned by the Company, some of which are also commercial properties, are subject to mortgage liens securing indebtedness aggregating approximately $9,196,000 at December 31, 1977, bearing interest rates ranging from 5.75% to 9.375%, and maturing between 1978 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $8,145,000 at interest rates ranging from 4.17% to 9.38%.

During the year ended December 31, 1977, the Company acquired or completed construction of three facilities with a total of eleven screens located in Columbus, Ohio, Levittown, New York, and Dallas, Texas. Eight single screen theatres were discontinued in 1977.

Real Estate and Residential Development

Since April 1969 the Company has been engaged in the planning and construction of residential developments. Prior to August 1974 these activities were conducted in conjunction with the J. H. Snyder Company of Los Angeles, California ("Snyder"). Joint venture and other agreements between the Company and Snyder generally provided for the sharing of profits and losses. Operational responsibility was assumed primarily by Snyder, and the Company provided or arranged for financing. Effective August 30, 1974, the Company and Snyder entered into a reorganization whereby the Company transferred its interests in residential development projects to Snyder (including $58,989,367 of indebtedness owed by Snyder to the Company) in exchange for 50% of the outstanding common stock of Snyder and 66,000 shares of Snyder preferred stock. On August 4, 1975, the Company purchased an additional 49.75% of the outstanding common stock of Snyder. The assets, liabilities and results of operations of Snyder are included in the consolidated financial statements of the Company.

Snyder is involved principally in the planning, construction and sale of two projects: Glendge, a single family residential development in Los Angeles, and Coronado Shores, a 500 building high rise condominium development in San Diego, California. In addition, Snyder holds for sale developed and undeveloped land and some residential units in Southern and Northern California, Staten Island, New York, suburban Chicago, Illinois, and Sierra Vista, Arizona. The Company does not contemplate commencement of new residential development projects.

During 1974 and 1975 the housing market in the United States was depressed by several factors, including high rates of interest and widespread uncertainty about the outlook for the economy. In some areas, particularly California, environmental considerations and requirements delayed construction and contributed to rising production costs. In 1975 Snyder decided not to develop certain projects, reduced the number of units previously planned, sold improved or partially improved lots and returned certain unused land to the sellers. In 1976 and 1977, the residential housing market in Southern California improved significantly. Snyder benefited from such improvement and, as a result, was able to reduce its inventory of land and residential units on a favorable basis.

At December 31, 1977, Snyder had underlying notes payable aggregating approximately $24,746,000 secured by approximately $32,960,000 of all inclusive trust deed notes receivable from buyers of

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apartment projects previously constructed and sold by it. These notes payable bear interest at 5% to 8.75% and mature between 1996 and 2003. From time to time, Snyder has received capital contributions from the Company. During 1977, however, Snyder was able to distribute to the Company $29,103,000 in excess of the capital contributions made by the Company to Snyder during the year. Such distribution resulted from funds generated by the sale of land, residential units and purchasers' mortgages originated by Snyder in 1977 and prior years.

The Company also owns two high-rise combination commercial and apartment buildings in New York City; the land under a new office building containing approximately 2,000,000 square feet of office and commercial space in New York City; and two commercial and office buildings located in New York City and Los Angeles, California. The foregoing properties are subject to mortgages as of December 31, 1977, aggregating approximately $17,642,000, at interest rates of 5.5% to 7.5%, maturing between 1988 and 2010.

COMPETITION AND REGULATION

Lorillard: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total taxable factory removals of all cigarettes manufactured in the United States and total taxable factory removals of all cigarettes manufactured by Lorillard, indicates the relative position in the industry of Lorillard:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry
1973	590,341,000	48,538,000	8.2%
1974	576,173,000	48,176,000	8.4%
1975	588,345,000	46,931,000	8.0%**
1976	617,892,000	47,697,000	7.7%**
1977	592,006,000	52,604,000	8.9%**

* Source: Reports and bulletins of the Internal Revenue Service.

** The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1977, 1976, and 1975 Lorillard's share of the domestic market was 8.8%, 8.0% and 7.9%, respectively, based on estimated cigarette output by company.

On the basis of information currently available, Lorillard ranks fifth among the major producers of tobacco products in the country.

Hotels: Competition from other hotels, motor hotels and inns, including facilities owned by local interests and facilities owned by national and international chains, is vigorous in all areas in which the Company operates facilities. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services at locations other than those in which the Company's hotels are located. As reported by "Institutions," a trade publication, the Company's hotel division was 25th among the world's largest hotel organizations at the end of 1976. Because of the competitive nature of the industry, hotel and motor hotel operations must make continuing expenditures for updating, refurnishing, repairs and maintenance in order to prevent competitive obsolescence.

Theatres: The business of motion picture exhibition is also highly competitive. The Company is one of many major theatre chains in the United States. The Company operates theatres in certain areas of the United States which are heavily saturated with theatres of various national and local exhibitors. The Company faces intense competition from locally significant competitors. As a result of trade practice limitations imposed on eight major motion picture distributors by various decrees entered in the cases of *United States* v. *Paramount, et al.* and *United States* v. *Loew's Incorporated, et al.* (See Item 3—"Legal

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Proceedings—Litigation Relating to Theatres"), the pictures of such distributors must be offered and licensed to exhibitors, including the Company, picture by picture and theatre by theatre. In addition to competition from other motion picture theatre operators, the Company's film exhibition business is confronted with other forms of competition in the entertainment field, among which are television and other forms of home entertainment, and films provided for viewing by hotel guests through hotel room television sets. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

Real Estate Development: All aspects of the real estate development business are highly competitive. The projects in which Snyder and Larwin currently are active are located for the most part in or near urban areas where other builders are developing numerous housing projects of a similar nature. In each of their market areas, Snyder and Larwin compete with numerous residential builders and developers. Residential development land is subject to zoning restrictions imposed by local governments and subdivisions, and building and other regulations of various federal, state and local authorities. In recent years the restrictions imposed by such authorities have become increasingly strict and compliance has become more costly. The Company's principal projects are in California, a state where significant environmental regulations have been imposed on residential developers.

Insurance: All aspects of the insurance business of CNA are highly competitive. CNA competes with a large number of stock and mutual insurance companies and other entities. CNA is the fourteenth largest multiple-line insurance group in the United States based on combined premium volume for 1976. Based on premiums written in 1976, Casualty is ranked 18th by A.M. Best Company among 1,300 companies writing property and casualty insurance. Assurance is ranked 25th among 1,200 life insurance companies, based on life insurance in force at the end of 1976. The insurance subsidiaries of CNA are subject to insurance regulation and supervision in each jurisdiction in which they do business. The method of such regulation varies, but generally regulation has been delegated to state insurance commissioners who are granted broad administrative powers relating to the licensing of insurers, and their agents, the nature of and limitations on investments, approval of policy forms, reserve requirements and trade practices. In addition to the foregoing types of regulation, many classes of property-casualty insurance are subject to rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory.

Insurance holding company laws of several states grant additional powers to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information, and to regulate certain transactions with affiliates. In a majority of the states having such laws, if the declaration of a dividend by an insurance company subsidiary to its stockholders, together with payments during the twelve months preceding, would exceed the greater of 10% of surplus or the net operating income of a life company or the net investment income of a non-life company, for the preceding calendar year, then such declaration must be reported promptly to the commissioner and the dividend may be paid only if he does not disapprove.

Consumer Finance: The consumer finance business is highly competitive. A large number of institutions, ranging from small single office businesses to large nationwide institutions, are engaged in the industry. Companies that finance the sale of their own merchandise, banks, savings and loan associations, credit unions, as well as a large number of other finance companies are competitors of General. General is ranked 12th among the largest finance companies in the United States, as reported by Bankers Monthly Magazine, measured by receivables outstanding at December 31, 1976.

General and its consumer finance and personal loan companies are subject to regulation by the states in which they operate, including regulation of maximum rates of interest which may be charged. General's consumer credit transactions and credit advertising are subject to the Federal Consumer Protection Act and the Equal Credit Opportunity Act.

EMPLOYEE RELATIONS

The Company, exclusive of CNA and its subsidiaries, employed approximately 11,000 persons at December 31, 1977. A substantial number of such personnel are represented by labor unions under separate contracts with many local unions which expire at varying times and are severally renegotiated and

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renewed. The Company considers its employee relations to be satisfactory. CNA and its consolidated subsidiaries employ approximately 12,000 persons and have experienced satisfactory labor relations with no work stoppages due to labor disagreements. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees.

The Company maintains a retirement plan, group life, disability and health insurance program and a savings plan for its salaried employees. The Company has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants, with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The Company has a retirement plan, a deferred profit sharing plan and other benefits for the hourly paid employees of the Lorillard division who are represented by the foregoing unions.

ENERGY CRISIS

The ultimate effect of the current energy crisis on the economy as a whole and, hence, on the Company's business, is uncertain at this time. To date, the impact on the Company has not been materially adverse, although direct costs of natural gas, fuel oil, electricity and steam supplied by public utilities have materially increased, as well as costs of transportation and products manufactured from petroleum derivates used by the Company's divisions. There has been no material impact on the Company's operations. The Company and its subsidiaries and divisions have an on-going program to conserve energy. Included in this program are measures to reduce lighting, heating, air conditioning and usage of machinery to minimum needs consistent with safety and security.

Item 2. SUMMARY OF OPERATIONS.

The Summary of Operations and related earnings and dividend per share data and Management's Discussion and Analysis of the Summary of Operations appearing on Pages 16 through 21 of the accompanying 1977 Annual Report to Shareholders are furnished in response to the requirement of this item. (See footnote on Page 1.)

Item 3. PROPERTIES.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1 hereof.

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Item 4. PARENTS AND SUBSIDIARIES.

Name of Subsidiary	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
CNA Financial Corporation(a)(c)	57%	Delaware
Alicetra, Inc.(a)	100	New York
Clinton-Court Corporation(a)	100	New York
301 Seventh Avenue, Inc.(a)	100	New York
Hanseatic Development Corp.(b)	40	Delaware
J. H. Snyder Company(a)	99.75	California
L and S Operating Co.(a)	100	California
Loews Astor Plaza, Inc.(a)	100	New York
Loews Harmon Cove Cinemas, Inc.(a)	100	New Jersey
Loews Inverrary, Inc.(a)	100	Florida
Loews Nassau Cinemas, Inc.(a)	100	New York
Loews Norgate Cinemas, Inc.(a)	100	Indiana
Loews Park Central Cinemas, Inc.(a)	100	Texas
Warwick Operating Corp.(a)	100	New York
Loew's Theatres, Inc.(a)	100	New York
Astoria Theatre Corporation(a)	100	New York
Canal Realty & Improvement Co., Inc.(a)	100	Louisiana
Central Broadway Corporation(a)	100	New York
Cleveland Theatres, Inc.(a)	100	Ohio
Columbia-Palace Corporation(a)	100	Delaware
Diamond Amusement Corporation(a)	100	New York
District Amusement Corporation(a)	100	New York
Evaluation Consumer Bureau, Inc.(a)	100	New York
Evans Theatre Corporation(a)	100	Delaware
51st & 8th Ave. Corp.(a)	100	New York
Firm Amusement Corporation(a)	100	New York
French Marketing & Representation Corp.(a)	100	Delaware
42nd St. & 3th Ave. Corp.(a)	100	New York
Gerard Theatre Corporation(a)	100	New York
Hinsdale Amusement Corporation(a)	100	New York
LGC Holding Corporation(a)	100	New York
Lance Theatre Corporation(a)	100	New York
Lawton General Corp.(a)	100	New York
Loew's Bahamas Hotel Limited(a)	100	Bahamas
Loew's Boulevard Corporation(a)	100	New York
Loews Cleaning Corporation(a)	100	New York
Loew's (Great Britain) Limited(a)	100	United Kingdom
Tollman Hotels (London), Ltd.(a)	100	United Kingdom
Loews Hotels (Canada) Ltd.(a)	100	Ontario
Loews Hotels Monaco S.A.M.(a)	100	Monaco
Loew's Hotels, Inc.(a)	100	New York
Hoteles Loews S.A.(a)	100	Spain
Loews Hotels Corporation(a)	100	Costa Rica
Loews Hotels Quebec, Inc.(a)	100	Delaware
Loews Dominicana, Inc.(a)	100	Delaware
Loews Hotels Montreal, Inc.(a)	100	Delaware

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Name of Subsidiary	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
Loews Technical Services, Inc.(a)	100%	Delaware
Loews Washington Hotel Corp.(a)	100	District of Columbia
Loew's International Services S.A.(a)	100	Belgium
Loews Realty, Inc.(a)	100	Delaware
57th Holding Corporation(a)	100	New York
53rd and 7th Corp.(a)	100	New York
Market and Taylor Building Company(a)	100	California
Moredail Realty Corporation(a)	100	New York
Sejo General Corp.(a)	100	New York
Seventh and Broadway Building Company(a)	100	California
Tower 58 Corporation(a)	100	New York
L.R.I., Inc.(a)	100	New York
Loew's Reservations, Ltd.(a)	100	Quebec
Loew's Securities Corp.(a)	100	New York
Loew's Theatre and Realty Corporation(a)	100	Delaware
Americana, Inc.(b)	50	Florida
Broadway Ventures, Inc.(b)	50	Florida
Hawthorne Amusement Corporation(a)	99.67	New York
Loews Kendall Mall, Inc.(b)	50	Florida
Loews Skylake Mall, Inc.(b)	50	Florida
Lorillard International Sales Corp.(a)	100	Delaware
Lorillard Tobaco De Colombia S.A.(a)	100	Columbia
Marcus Loew Booking Agency(a)	100	New York
New Buffalo Amusement Corporation(a)	100	Delaware
Orpheum-86 St. Corp.(a)	100	New York
Parkchester Amusement Corporation(a)	100	New York
Parsippany Theatre Corp.(a)	100	New Jersey
Plisa S.A.(a)	100	Switzerland
P. Lorillard s.a.r.l.(b)	50	Luxembourg
P. Lorillard Pan American, Inc.(a)	100	Delaware
Poli-New England Theatres, Inc.(a)	100	Delaware
Putnam Theatrical Corporation(a)	100	New York
A.L. & S.Y., Inc.(a)	100	New York
St. Louis Orpheum Corporation(a)	100	Delaware
71st & 3rd Ave. Corp.(a)	100	New York
Squireco Building Corporation(a)	100	New York
Standard Evansville Realty Corporation(a)	100	Indiana
Washington Theatre Corp.(a)	100	Delaware

(a) Subsidiary included in consolidated financial statements filed herewith. More than 50% of the capital stock of such subsidiary is owned, directly or indirectly, by Registrant.

(b) Companies not included in the consolidated financial statements and for which no statements are filed. 50% or less of the capital stock of these companies is owned directly or indirectly by Registrant, and all such companies considered in the aggregate do not constitute a significant subsidiary.

(c) For information relating to the CNA subsidiaries see the following page.

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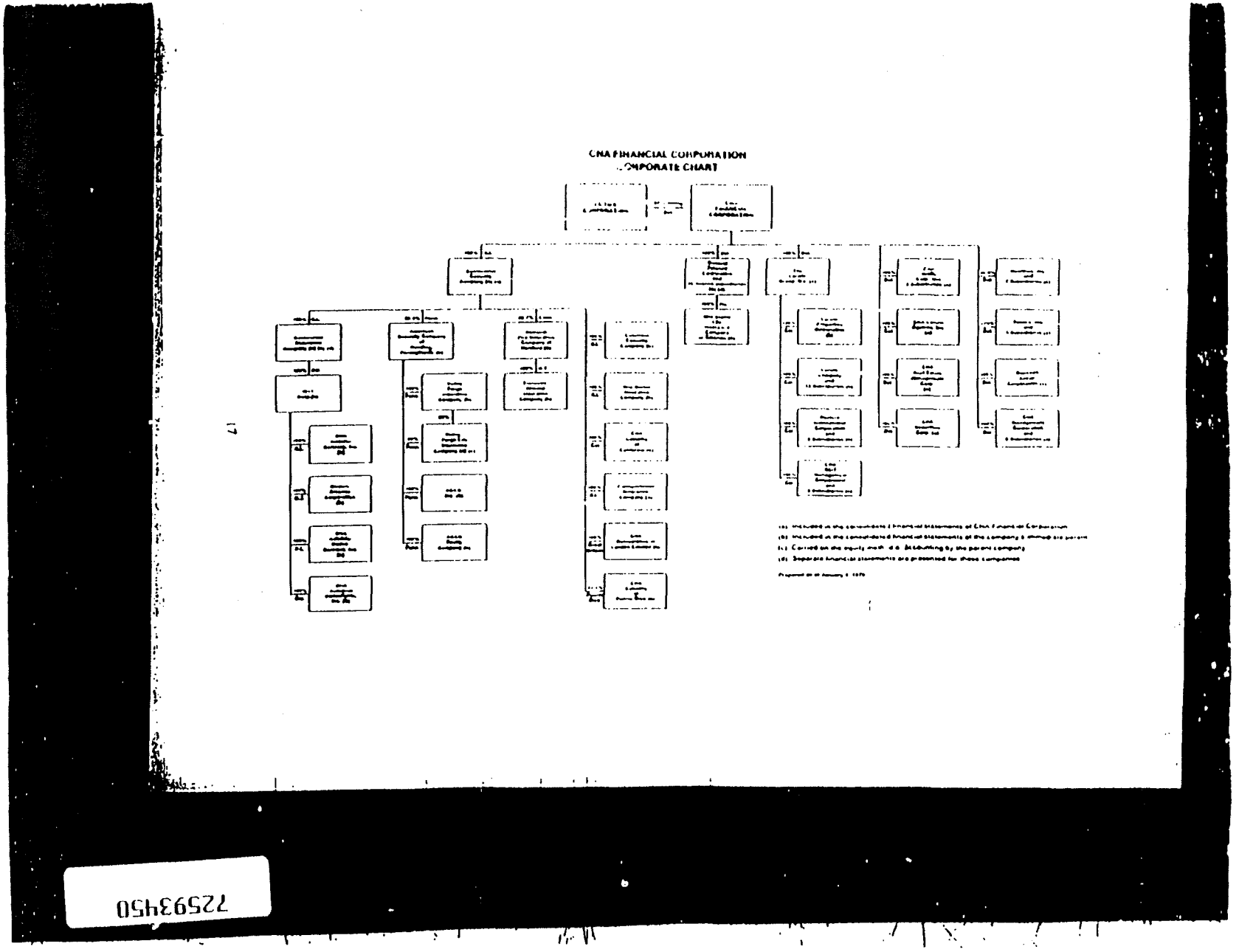

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Item 5. LEGAL PROCEEDINGS.

Litigation Relating to Lorillard: By decree dated November 16, 1911, of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America v. The American Tobacco Company and others*, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (1) making transfers of its property to any other of those corporations, (2) making any agreements of types deemed anti-competitive with any other of those corporations, (3) holding stock in a corporation whose stock is also held by another of those corporations and (4) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

An alleged class action pending against Loews, in the United States District Court for the Eastern District of North Carolina, Wilson Division, by certain former shareholders of Lorillard Corporation seeks damages in an amount to be determined, based on assertions by them that (1) they incurred immediate rather than deferred Federal income tax liability, not adequately disclosed in the proxy materials relating to the merger of Lorillard into Loews in 1968, and (2) that had all relevant facts been disclosed Loews would have been compelled to offer better terms to acquire Lorillard. In January 1978, the Court denied plaintiffs' motion to maintain the action as a class action. Plaintiffs have requested a rehearing.

Three civil actions purporting to be class actions, two of which were brought in July 1974 and one of which was brought in April 1975, are pending against the six major United States cigarette manufacturers, including the Company, and others, in which certain tobacco farmers allege violations of the antitrust laws and seek damages of approximately $43,000,000, $336,000,000, and an unspecified amount, respectively, plus attorneys' fees and costs. The Company has denied any violation of law and is vigorously contesting the actions. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to each of the alleged charges. In October 1977 the United States Court of Appeals for the Fourth Circuit concluded that the suit brought in the District Court for the District of South Carolina should not be permitted to proceed as a class action. The plaintiffs in that action have sought review by the United States Supreme Court, which is being opposed by the defendants. The District Courts in the other two cases have not as yet determined whether those cases may be maintained as class actions. No adjustments or provisions have been made on account of the litigation.

In October 1975 the United States, on behalf of the Federal Trade Commission (the "Commission"), commenced an action in the United States District Court for the District of Columbia against Lorillard and five other major cigarette manufacturers, alleging concerted violation of consent orders entered into with the Commission relating to inclusion of the health warning statement appearing on cigarette packages, in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes. The action seeks penalties in unspecified amounts and injunctive relief, including creation of a trust fund to remedy alleged failure to warn the public of the hazards of smoking. The action has been transferred to the United States District Court for the Southern District of New York. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to the action.

In August 1977 the Commission instituted an action seeking enforcement of subpoenas served in May 1976 on Lorillard, the five other major cigarette manufacturers, two industry groups and various advertising agencies. The subpoenas sought production of documents relating to Lorillard's and the other companies' advertising and marketing activities since 1964 in connection with a Commission investigation of alleged unfair trade practices in the cigarette industry. After denial of motions to quash by the Commission and non-compliance on the part of the respondents, the Commission instituted an enforcement action in the United States District Court for the District of Columbia. Lorillard filed an answer asserting invalidity and unenforceability of the subpoenas on various grounds. An order was entered transferring the action to the Southern District of New York in December 1977. A petition for a Writ of Mandamus and other relief made by the Commission to the United States Court of Appeals for the District of Columbia Circuit is pending. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to the action.

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Litigation Relating to Theatres: Under a Consent Judgment entered in the United States District Court for the Southern District of New York in 1952, in *United States v. Loew's Incorporated, et al.*, the Company was prohibited from, among other things, acquiring certain theatres, except upon a showing to the court that the acquisition would not unduly restrain competition. On July 25, 1974, the District Court entered an order amending the Consent Judgment to provide that no court approval is required with respect to any theatre constructed by or for the Company, or with respect to the conversion of an existing theatre into a twin or multiple screen theatre.

Litigation Relating to CNA: In May 1975, two purported derivative actions by alleged stockholders of CNA were commenced in the United States District Court for the Southern District of New York against CNA's directors, CNA and the Company. The actions have been consolidated. The consolidated complaint alleges violations of the anti-fraud and proxy disclosure provisions of the Securities Exchange Act of 1934 in connection with the Company's purchase from CNA of 500,000 shares of a new issue of $11.85 Cumulative Convertible Series D Junior Preferred Stock for $50,000,000. The consolidated complaint seeks rescission of the Company's purchase of such stock, an accounting for alleged profits and damages from the defendants, other than CNA, and costs and expenses of the action, including reasonable attorneys' fees. The Company's answer denies the material allegations of the complaint and sets forth various affirmative defenses. The action is in a pre-trial stage.

Other Matters: Pending litigation also includes other civil and antitrust actions for damages. Because of the nature of litigation, it is not possible to predict the outcome of these actions; however, in the opinion of Management, the outcome of such actions should not materially affect the business or assets of the Company and its subsidiaries.

As reported in the Company's Form 8-K for the month of January 1977, the Company has voluntarily disclosed that during the period 1971 through 1976 it made certain questionable foreign payments in the amount of approximately $1.6 million and improperly reimbursed certain domestic political contributions made by certain executives of the Company in the amount of approximately $62,100. The Securities and Exchange Commission conducted an informal review of materials and information voluntarily disclosed by the Company and, in mid-1977, indicated that its staff was no longer investigating the Company in connection with such payments. An investigation by the Intelligence Division of the Internal Revenue Service with respect to possible violations of the tax laws and the proper tax treatment of such payments is continuing. The Company further understands that certain other governmental agencies are also continuing to investigate such payments. The Company is not able to predict what impact, if any, the potential tax consequences of the aforesaid IRS investigation will have on the Company's operations.

Item 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES AND INDEBTEDNESS.

(a) Changes in outstanding equity securities:

Common Stock ($1.00 par value):	
Number of shares outstanding as of December 31, 1976	12,930,290
Number of shares issued under the Company's Qualified Stock Option Plan between January and December 1977	16,029
Purchased for Treasury between July and December 1977	(926,700)
Number of shares outstanding as of December 31, 1977	12,019,619

(b) and (c) Changes in outstanding debt securities and other debt:

Outstanding debt—December 31, 1976	$8,621,000
Changes due to:	
Current maturities	(105,000)
Assumed by purchaser—January 1977	(7,619,000)
Outstanding debt—December 31, 1977	$ 897,000

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Item 7. CHANGES IN SECURITIES AND CHANGES IN SECURITY FOR REGISTERED SECURITIES.

Inapplicable

Item 8. DEFAULTS UPON SENIOR SECURITIES.

None

Item 9. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS.

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	Approximately 10,400 as of February 17, 1978

Item 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Inapplicable

Item 11. EXECUTIVE OFFICERS OF THE REGISTRANT.

Name	Positions and Offices Held	Age	First Became Officer
Kenneth Abrams	Vice President	44	1975
Gerald Diamond	Vice President	62	1972
Robert J. Hausman	Vice President	54	1973
Barry Hirsch	Vice President, Secretary and General Counsel	44	1971
Harry Katz	Controller	51	1974
Bernard Myerson	Executive Vice President	60	1963
Lester Pollack	Executive Vice President	44	1965
Roy E. Posner	Vice President—Financial Services	44	1973
Arthur J. Raporte	Vice President	61	1960
Jacob Sellman	Treasurer	61	1958
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	55	1959
Preston R. Tisch	President and Chief Operating Officer	51	1960

The Messrs. Tisch are brothers. None of the other officers or directors of the Company is related to any other. All executive officers of the Company have been engaged actively and continuously in the business of the Company and its predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

Item 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Unchanged from previous Form 10-K filed for the year ended December 31, 1976.

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Item 13. FINANCIAL STATEMENTS, EXHIBITS FILED AND REPORTS ON FORM 8-K.

The following financial statements, schedules and exhibits are filed as part of this report:

(a)1 Financial Statements

	Page Number
LOEWS CORPORATION AND SUBSIDIARIES:	
See accompanying Index to Financial Statements	L-1
CNA FINANCIAL CORPORATION (CNA):	
Report of Independent Certified Public Accountants	C-1
Consolidated Balance Sheet—December 31, 1977 and 1976	C-2
Statement of Consolidated Operations—For the two years ended December 31, 1977	C-3
Statement of Consolidated Stockholders' Equity—For the two years ended December 31, 1977	C-4
Statement of Changes in Consolidated Financial Position—For the two years ended December 31, 1977	C-5
Balance Sheet (Parent Company)—December 31, 1977 and 1976	C-6
Statement of Operations (Parent Company)—For the two years ended December 31, 1977	C-7
Statement of Stockholders' Equity (Parent Company)—For the two years ended December 31, 1977	C-7
Statement of Changes in Financial Position (Parent Company)—For the two years ended December 31, 1977	C-8
Notes to Financial Statements	C-9
CONTINENTAL CASUALTY COMPANY (Casualty):	
Report of Independent Certified Public Accountants	C-1
Consolidated Balance Sheet—December 31, 1977 and 1976	C-24
Statement of Consolidated Operations—For the two years ended December 31, 1977	C-25
Statement of Consolidated Stockholder's Equity—For the two years ended December 31, 1977	C-25
Statement of Changes in Consolidated Financial Position—For the two years ended December 31, 1977	C-26
Notes to Financial Statements	C-27
CONTINENTAL ASSURANCE COMPANY (Assurance):	
Report of Independent Certified Public Accountants	C-1
Consolidated Balance Sheet—December 31, 1977 and 1976	C-38
Statement of Consolidated Operations—For the two years ended December 31, 1977	C-39
Statement of Consolidated Stockholder's Equity—For the two years ended December 31, 1977	C-39
Statement of Changes in Consolidated Financial Position—For the two years ended December 31, 1977	C-40
Notes to Financial Statements	C-41
GENERAL FINANCE CORPORATION (General):	
Report of Independent Certified Public Accountants	C-1
Consolidated Balance Sheet—December 31, 1977 and 1976	C-52
Statement of Consolidated Operations—For the two years ended December 31, 1977	C-53
Statement of Consolidated Stockholder's Equity—For the two years ended December 31, 1977	C-53
Statement of Changes in Consolidated Financial Position—For the two years ended December 31, 1977	C-54
Notes to Financial Statements	C-55

72593451

Schedules:

	Page Number
LOEWS CORPORATION AND SUBSIDIARIES:	
See accompanying Index to Financial Statements	L-1
CNA FINANCIAL CORPORATION (CNA):	
Information required by Schedules I, III, IV, IX, X and XIII at December 31, 1977 and 1976 or for the two years ended December 31, 1977 is included in the Financial Statements or Notes to Financial Statements as follows:	
Schedule I—Marketable Securities—Other Security Investments—Note C	
Schedules III, IV and X—Investment in, Equity in Earnings of, and Dividends Received from Affiliates and Other Persons—Note M, Balance Sheet and Statement of Operations (Parent Company)	
Schedule IX—Bonds, Mortgages and Similar Debt—Note D	
Schedule XIII—Capital Shares—Note E	
Additional Schedules filed herein as follows:	
Schedule XII—Valuation and Qualifying Accounts and Reserves	C-23
Financial statements of CNA's unconsolidated affiliates are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.	
CONTINENTAL CASUALTY COMPANY (CASUALTY):	
Information required by Schedule I at December 31, 1977 and 1976 is included in Note 3 to Financial Statements.	
Additional Schedules filed herein as follows:	
Schedule II—Investment in, Equity in Earnings of, and Dividends Received from Affiliates	C-36
Schedule VII—Premiums, Claims and Claim Adjustment Expense	C-37
Financial statements of Casualty's unconsolidated affiliates, other than Assurance, are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.	
CONTINENTAL ASSURANCE COMPANY (ASSURANCE):	
Information required by Schedule I at December 31, 1977 and 1976 is included in Note 2 to Financial Statements.	
Additional Schedules filed herein are as follows:	
Schedule IV—Policy Acquisition Costs	C-49
Schedule VII—Future Policy Benefits and Insurance in Force	C-50
GENERAL FINANCE CORPORATION (GENERAL):	
Information required by Schedules IX and XIII at December 31, 1977 and 1976 is included in the Notes to Financial Statements as follows:	
Schedule IX—Bonds, Mortgages and Similar Debt—Note 5	
Schedule XIII—Capital Shares—Note 6	
Additional Schedules filed herein are as follows:	
Schedule XII—Reserves	C-61
Schedule XVI—Supplementary Income Statement Information	C-62

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are omitted because of the absence of the conditions under which they are required, or because the information required is set forth in the consolidated financial statements or the accompanying notes.

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(a) 2 Exhibits:

		From
1.	*Computation of Earnings per Share Assuming Full Dilution* for the Three Years Ended December 31, 1977, the Four Months Ended December 31, 1974 and the Two Years Ended August 31, 1974	L-1o
2.	Employment agreement dated May 10, 1977 between the Company and Laurence A. Tisch.	
3.	Employment agreement dated May 10, 1977 between the Company and Preston R. Tisch.	
4.	Amendment dated August 1, 1977 to the Employment Agreement between the Company and Bernard Myerson.	
5.	Retirement Plan for Employees of Loews Corporation, as amended effective January 1, 1976.	
6.	Loews Corporation Employees' Savings Plan, as amended effective January 1, 1976.	

(b) **Reports on Form 8-K**

None.

PART II

Information called for by Part II has been omitted, as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

SIGNATURES

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

LOEWS CORPORATION

By _____ ROY E. POSNER

(Roy E. Posner, Vice President — Financial Services)

Dated: March 29, 1978

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PROPERTY OF
LOEWS CORP.
CONTROLLER DEPARTMENT

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Year Ended December 31, 1978

Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue, New York, N. Y. (Address of principal executive offices)	10019 (Zip Code)

(212) 841-1000

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No _____

Common Stock Outstanding at December 31, 1978—11,466,582 shares

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LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON

FORM 10-K FILED WITH THE

SECURITIES AND EXCHANGE COMMISSION

YEAR ENDED DECEMBER 31, 1978

PART I

Item No.		Page No.
1.	BUSINESS	1
	CNA Financial Corporation	1
	Lorillard Division	8
	Hotel Activities and Properties	10
	Theatre Activities and Properties	11
	Other Interests	12
2.	SUMMARY OF OPERATIONS	13
3.	PROPERTIES	13
4.	PARENTS AND SUBSIDIARIES	14
5.	LEGAL PROCEEDINGS	16
6.	INCREASES AND DECREASES IN OUTSTANDING SECURITIES AND INDEBTEDNESS	19
7.	CHANGES IN SECURITIES AND CHANGES IN SECURITY FOR REGISTERED SECURITIES	None
8.	DEFAULTS UPON SENIOR SECURITIES	None
9.	APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS	19
10.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	Inapplicable
11.	INDEMNIFICATION OF DIRECTORS AND OFFICERS	19
12.	FINANCIAL STATEMENTS, EXHIBITS FILED, AND REPORTS ON FORM 8-K	20

PART II

Information called for by Part II has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

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PART I

Item 1. BUSINESS.

Loews Corporation (hereinafter, together with its subsidiaries referred to as the "Company" or the "Registrant") through its subsidiaries is engaged primarily in the production and sale of cigarettes; the operation of hotels; the exhibition of motion pictures; and, through its approximately 57% ownership of CNA Financial Corporation (CNA), insurance (property, casualty and life) and consumer finance.

Information relating to the major business segments from which the Company's consolidated revenues and income were derived is contained at pages 14 and 15 in the accompanying 1978 Annual Report to Shareholders.*

CNA FINANCIAL CORPORATION

The Company acquired in 1974 and 1975 approximately 57% of the outstanding voting shares of CNA. The tabular information herein relating to CNA is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisition of CNA shares.

CNA, operating through subsidiaries, is engaged in property and casualty insurance, life and health insurance and consumer finance. CNA's property and casualty insurance operations are conducted by Continental Casualty Company and its casualty insurance affiliates (Casualty) and its life insurance operations primarily by Continental Assurance Company (Assurance). The consumer finance business is conducted by General Finance Corporation (General). In addition, CNA has interests in a medical and dental equipment and supply company, and real estate development and related activities primarily through The Larwin Group, Inc. (Larwin).

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* Except as indicated under Items 1 and 2 and on Page L-1, no other data appearing in the 1978 Annual Report to Shareholders is deemed to be filed as part of this Annual Report on Form 10-K.

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Consolidated revenues, operating income (loss) before income tax and assets for major lines of CNA's business segments are shown below. This summary should be read in conjunction with CNA's consolidated financial statements.

	Years Ended December 31.				
	1978(d)	1977(d)	1976(d)	1975(d)	1974(d)
	(In millions of dollars)				
REVENUES					
Property and casualty—commercial	$1,063.4	$1,023.4	$ 810.7	$ 724.3	$ 791.7
Property and casualty—personal	130.5	115.0	109.4	90.5	91.7
Total property and casualty (a)	1,193.9	1,138.4	920.1	814.8	883.4
Life—individual	352.2	343.7	348.6	351.4	341.7
Life—group	663.6	657.0	613.8	616.8	596.0
Total life (a)	1,015.8	1,000.7	962.4	968.2	937.7
Total CNA insurance	2,209.7	2,139.1	1,882.5	1,783.0	1,821.1
Consumer finance	125.1	112.4	102.6	99.8	103.2
Other	14.4	11.4	10.6	(.1)	5.0
Total	$2,349.2	$2,262.9	$1,995.7	$1,882.7	$1,929.3
OPERATING INCOME (LOSS) BEFORE INCOME TAX					
Property and casualty—commercial	$ 125.7	$ 31.8	$ 17.3	$ 38.4	$ (58.9)
Property and casualty—personal	10.4	3.2	(.1)	(2.6)	1.3
Total property and casualty (a)(e)	136.1	35.0	17.2	35.8	(57.6)
Life—individual	27.0	30.8	18.2	9.1	16.9
Life—group	32.4	18.9	11.9	5.3	.5
Total life (a)(e)	59.4	49.7	30.1	14.4	17.4
Total CNA insurance	195.5	84.7	47.3	50.2	(40.2)
Consumer finance (b)	17.5	16.5	12.6	9.1	7.8
Other (c)	23.3	5.2	(14.0)	(13.0)	(135.1)
Total	$ 236.3	$ 106.4	$ 45.9	$ 46.3	$ (167.5)
ASSETS					
Property and casualty—commercial	$2,582.4	$2,177.1	$1,894.9	$1,720.2	$1,600.3
Property and casualty—personal	439.7	368.5	363.8	326.6	305.0
Total property and casualty (a)(e)	3,022.1	2,545.6	2,258.7	2,046.8	1,905.3
Life—individual	1,492.9	1,395.4	1,399.1	1,334.8	1,272.2
Life—group	1,546.2	1,421.7	1,322.2	1,180.7	1,085.0
Total life (a)(e)	3,039.1	2,817.1	2,721.3	2,515.5	2,357.2
Total CNA insurance	6,061.2	5,362.7	4,980.0	4,562.3	4,262.5
Consumer finance (b)	566.4	515.3	470.9	457.9	478.6
Other	36.1	79.0	2.0	18.2	54.6
Total	$6,663.7	$5,957.0	$5,452.9	$5,038.4	$4,795.7

(a) The property and casualty segment cedes 85% of its accident and health premiums to the life segment—individual and group lines. The reinsurance agreement provides for cession of earned premiums, claims and claim expenses based on pro-rata participation in the related business. Ceding commission is dependent on claim experience. The premium revenue assumed for the individual and group lines and the related life segment pre-tax operating income (loss) in millions of dollars was:

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	1978	1977	1976	1975	1974
Premiums assumed					
Life—individual	$ 83.1	$ 88.3	$ 94.7	$ 99.5	$108.3
Life—group	73.9	76.3	77.5	190.5	236.0
Total	$157.0	$164.6	$172.2	$290.0	$344.3
Pre-tax operating income (loss)					
Life—individual	$ .9	$ 6.1	$ 4.3	$(10.4)	$ 4.4
Life—group	3.8	(2.4)	.9	(12.3)	(8.3)
Total	$ 4.7	$ 3.7	$ 5.2	$(22.7)	$ (3.9)

The assets and liabilities related to this business remain with the property and casualty segment. Effective in 1976, life—group began to write certain accident and health business on a direct basis that previously was written by property and casualty.

(b) The operating results and assets of General have been adjusted for goodwill.

(c) Other operating income (loss) includes Larwin's operations for the year 1978 and the nine months ended September 30, 1974 in the amounts of $13.8 and ($107.1), respectively.

(d) In 1978, certain accounting changes were made (and applied retroactively) which affected the property and casualty segment in millions of dollars as follows:

	1978	1977	1976	1975	1974
Increase (decrease):					
Revenues					
Property and casualty—commercial	$24.1	$ 11.5	$ .6	$11.1	$(3.9)
Property and casualty—personal	(1.6)	2.7	5.6	5.1	6.2
Total	$22.5	$ 14.2	$ 6.2	$16.2	$ 2.3
Pre-tax operating income					
Property and casualty—commercial	$ 2.9	$(10.6)	$ 1.7	$(4.4)	$12.7
Property and casualty—personal	(.3)	4.2	6.0	6.5	10.3
Total	$ 2.6	$ (6.4)	$ 7.7	$ 2.1	$23.0
Assets					
Property and casualty—commercial	$33.1	$ 19.6	$17.1	$21.1	$17.8
Property and casualty—personal	(.5)	1.8	2.2	3.4	2.9
Total	$32.6	$ 21.4	$19.3	$24.5	$20.7

(e) Assets and investment income of property and casualty insurance and of life insurance have been allocated to product line classifications on the basis of insurance reserves after attribution of separately identifiable assets.

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PROPERTY AND CASUALTY INSURANCE

Casualty sells commercial and personal lines of property and casualty insurance and accident and health insurance, through approximately 43,000 licensed independent agents and brokers, to customers located in the United States. A small percentage of business written is produced by agents who write exclusively for Casualty. Producers are located throughout the United States and Puerto Rico and are serviced through four regional offices and 31 branch offices located in major cities throughout the country. Casualty offers many types of insurance in order to compete for accounts. Customer insurance requirements affect the price and availability of various classes of insurance offered in combinations. Therefore, it is not appropriate to assess profitability or identify assets for a given class of insurance because of its relationship to other insurance products written.

The following table sets forth supplemental data for the property and casualty business, including the volume of premiums written for similar classes of insurance.

	Years Ended December 31,				
	1978	1977	1976	1975	1974
	(In millions of dollars)				
Revenues					
Commercial					
Workers' compensation	$ 239.1	$ 212.2	$ 156.3	$ 126.1	$ 165.8
General liability	170.1	184.3	142.2	111.7	133.8
Multi-peril	124.2	114.7	104.0	99.5	123.8
Professional and specialty	162.9	170.9	129.1	99.5	100.6
Reinsurance	156.9	115.9	98.4	103.5	71.0
Other	73.0	114.1	89.3	104.0	119.0
Total premiums earned	926.2	912.1	719.3	644.3	714.0
Investment income	137.2	111.3	91.4	80.0	77.7
Total commercial revenues	$1,063.4	$1,023.4	$ 810.7	$ 724.3	$ 791.7
Personal					
Private passenger	$ 55.5	$ 49.1	$ 43.9	$ 31.9	$ 31.9
Personal property	40.6	33.9	30.7	26.2	25.6
Other	16.3	18.2	22.1	22.1	24.7
Total premiums earned	112.4	101.2	96.7	80.2	82.2
Investment income	18.1	13.8	12.7	10.3	9.5
Total personal revenues	$ 130.5	$ 115.0	$ 109.4	$ 90.5	$ 91.7
Operating Income (Loss) Before Income Tax					
Casualty	$ 195.5	$ 83.5	$ 46.8	$ 49.8	$ (57.3)
Less unconsolidated life insurance affiliates	(59.4)	(48.5)	(29.6)	(14.0)	(.3)
Total property and casualty business	$ 136.1	$ 35.0	$ 17.2	$ 35.8	$ (57.6)
Assets					
Casualty	$3,335.0	$2,809.3	$2,484.9	$2,253.6	$1,924.7
Less investment in unconsolidated life affiliates	(312.9)	(263.7)	(226.2)	(206.8)	(19.4)
Total property and casualty business	$3,022.1	$2,545.6	$2,258.7	$2,046.8	$1,905.3
Trade ratios (a)					
Loss ratio	71.6%	76.8%	80.4%	75.4%	89.4%
Expense ratio	30.4	30.2	30.7	32.0	30.9
Combined	102.0%	107.0%	111.1%	107.4%	120.3%

(a) Trade ratios are a measure of property and casualty underwriting profitability. The combined ratio is the sum of the loss ratio and the expense ratio. The loss ratio is the percentage of incurred losses to earned premiums. The expense ratio is the sum of the ratios of statutory underwriting expenses to written premiums, and policyholders' dividends to earned premiums.

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LIFE INSURANCE

Assurance operates in all states of the United States, the District of Columbia and Puerto Rico. Assurance is in the business of issuing life, accident and health and disability contracts to provide financial assistance to individuals in the case of death, illness, or disability. This business is marketed to individuals both directly and through groups and is frequently offered in various combinations to a single customer. The interdependence of insurance products written makes it inappropriate to assess profitability or to identify assets by a given class of insurance. Life insurance business is produced by approximately 27,000 licensed agents, most of whom are independent contractors, who sell insurance for Assurance and for other companies on a commission basis. A small percentage of business written is produced by agents who write business exclusively for CNA. General agents may also be paid service fees and an expense reimbursement allowance.

The following table sets forth supplemental data for the life insurance business including volume data and premium revenues for similar classes of insurance.

	Years Ended December 31,				
	1978	1977	1976	1975	1974
	(In millions of dollars)				
Revenues					
Individual					
Life	$ 170.9	$ 163.0	$ 165.3	$ 166.0	$ 154.0
Accident and health	98.4	104.3	109.7	114.1	123.0
Annuities	5.2	5.9	5.9	5.7	4.3
Total premiums earned	274.5	273.2	280.9	285.8	281.3
Investment and other income	77.7	70.5	67.7	65.6	60.4
Total individual revenues	$ 352.2	$ 343.7	$ 348.6	$ 351.4	$ 341.7
Group					
Life	$ 107.4	$ 112.0	$ 117.1	$ 117.7	$ 123.5
Accident and health	457.6	434.6	392.9	396.4	388.1
Annuities	11.3	12.8	13.7	15.8	15.2
Total premiums earned	576.3	559.4	523.7	529.9	526.8
Investment and other income	87.3	97.6	90.1	86.9	69.2
Total group revenues	$ 663.6	$ 657.0	$ 613.8	$ 616.8	$ 596.0
Operating Income Before Income Tax					
Assurance	$ 57.0	$ 46.7	$ 29.5	$ 11.4	$ 17.4
Other affiliates	2.4	3.0	.6	3.0	—
Total	$ 59.4	$ 49.7	$ 30.1	$ 14.4	$ 17.4
Assets					
Assurance	$ 2,972.0	$ 2,752.0	$ 2,585.7	$ 2,377.6	$ 2,231.4
Other affiliates	67.1	65.1	135.6	137.9	125.8
Total	$ 3,039.1	$ 2,817.1	$ 2,721.3	$ 2,515.5	$ 2,357.2
Other Data					
Lapse ratio—individual life (a)	9.2%	10.5%	11.2%	10.1%	9.9%
Participating policyholder—percent of net life insurance in force	23.3%	22.1%	22.8%	25.3%	24.9%
Life insurance in force:					
Individual	$ 8,283.9	$ 7,737.9	$ 7,537.1	$ 7,509.6	$ 7,192.4
Group	11,281.3	11,370.7	11,126.5	9,390.1	9,569.4
Total	$19,565.2	$19,108.6	$18,663.6	$16,899.7	$16,761.8

(a) The lapse ratio is for terminations after the first year and is calculated on the basis of current year terminations (other than death or maturity) and life insurance in force at the beginning of the year plus new issues during the preceding year.

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Reinsurance: Both property and casualty and life operations assume and cede insurance from and to other insurers. Reinsurance arrangements are utilized to limit their maximum loss, provide greater diversification of risk and minimize exposures on larger risks. The ceding of insurance does not discharge the primary liability of the original underwriter. It is the practice of insurers to treat the portion of the risks which have been reinsured with other companies as though they were not risks for which the original insurer is liable. For additional information relating to reinsurance see Note 7 of Casualty's and Assurance's notes to financial statements.

Competition: All aspects of the insurance business of CNA are highly competitive. CNA competes with a large number of stock and mutual insurance companies and other entities for both producers and customers. CNA is the 17th largest multiple-line insurance group in the United States based on combined premium volume for 1977. Based on premiums written in 1977, Casualty is ranked 17th among 2,800 companies writing property and casualty insurance. Assurance is ranked 16th among 1,800 life insurance companies, based on premium volume in 1977.

Regulation: The insurance subsidiaries of CNA are subject to insurance regulation and supervision in each jurisdiction in which they do business. The method of such regulation varies, but generally regulation has been delegated to state insurance commissioners who are granted broad administrative powers relating to the licensing of insurers and their agents, the nature of and limitations on investments, approval of policy forms, reserve requirements and trade practices. In addition to the foregoing types of regulation, many classes of property-casualty insurance are subject to rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory.

Insurance holding company laws of several states grant additional powers to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information, and to regulate certain transactions with affiliates. In a majority of the states having such laws, if the declaration of a dividend by an insurance company subsidiary to its stockholders, together with payments during the twelve months preceding, would exceed the greater of 10% of surplus or the net operating income of a life company or the net investment income of a non-life company, for the preceding calendar year, then such declaration must be reported promptly to the commissioner and the dividend may be paid only if he does not disapprove.

Properties: CNA Plaza, owned by Assurance, is a 1,097,000 square foot office complex located at 333 S. Wabash, Chicago, Illinois. The forty-five story office building serves as the Home Office for CNA, Casualty and Assurance. CNA Plaza and the adjacent building (a 454,000 square foot building located at 55 E. Jackson Blvd.) are partially constructed on ground leased for periods of 99 years. Nearly 80% of the adjacent building is rented to non-affiliates.

CNA maintains four regional offices and thirty-one branch offices in major cities throughout the United States. Most of this office space is leased. However, CNA owns three buildings in Pennsylvania and Florida of which 40% is utilized for CNA's operations and the remainder offered for rental to non-affiliates.

CONSUMER FINANCE

General, in the course of its consumer finance business, makes direct installment loans to individuals. General also purchases sales finance contracts from merchants, and acquires automobile finance contracts from automobile dealers. Direct installment loans (personal loans) account for the largest portion of the business and are extended directly to individuals and families for the purchase of goods for the home, payment of medical bills, tuition, vacation, and other personal needs. In connection with its financing activities, General, through a wholly-owned subsidiary, Mid-States Life Insurance Company of America, reinsures credit life and disability insurance purchased by its customers. Fire and property insurance also is offered to insure collateral on secured loans made to customers.

The consumer finance business is financed by General's capital and issuance by it of long term notes (senior, subordinate, and capital) and commercial paper and short-term borrowings under lines of credit with commercial banks.

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The following table sets forth supplemental data relating to the consumer finance business:

	Years Ended December 31,				
	1978	1977	1976	1975	1974
Personal Loans					
Receivables outstanding (in millions)	$434.0	$401.6	$367.5	$353.5	$348.9
Number of accounts outstanding (in thousands)	444.8	430.6	416.9	427.2	438.9
Average outstanding loan	$ 976	$ 933	$ 882	$ 827	$ 795
Volume (in millions)	$413.5	$402.6	$373.8	$329.4	$351.7
Average new loan	$1,130	$1,065	$1,010	$ 964	$ 934
Sales Finance Contracts					
Receivables outstanding (in millions)	$ 35.6	$ 27.8	$ 20.7	$ 16.6	$ 21.2
Number of accounts outstanding (in thousands)	77.1	60.9	48.9	44.5	57.2
Average outstanding contract	$ 462	$ 456	$ 424	$ 374	$ 372
Volume (in millions)	$ 52.5	$ 41.4	$ 31.3	$ 22.2	$ 32.7
Average new contract	$ 591	$ 572	$ 534	$ 488	$ 469
Automobile Loans					
Receivables outstanding (in millions)	$ 59.2	$ 46.7	$ 38.0	$ 40.8	$ 59.0
Number of accounts outstanding (in thousands)	22.1	19.8	18.2	23.0	33.4
Average outstanding loan	$2,677	$2,364	$2,088	$1,772	$1,763
Volume (in millions)	$ 60.3	$ 47.2	$ 36.2	$ 33.0	$ 51.0
Average new loan	$3,851	$3,418	$3,299	$3,076	$2,801
Other Data					
Number of branch offices	528	521	508	504	520
Insurance premiums and commissions (in millions)	$ 23.4	$ 21.3	$ 20.1	$ 20.3	$ 21.4
Average Interest Rates on Borrowings					
Short-term	7.2%	5.3%	5.5%	7.2%	9.9%
Long-term	8.4	7.7	7.8	7.6	7.7
All debt	8.1	7.1	6.7	7.3	9.0

Outstanding personal loans receivable is net, after deducting unearned finance charges. Outstanding sales finance and automobile loans receivable is gross, including unearned finance charges.

Competition: The consumer finance business is highly competitive. A large number of institutions, ranging from small single office businesses to large nationwide institutions, are engaged in the industry. Companies that finance the sale of their own merchandise, banks, savings and loan associations, credit unions, as well as a large number of other finance companies are competitors of General. General is ranked 12th among the largest finance companies in the United States measured by receivables outstanding at December 31, 1977.

Regulation: General and its consumer finance and personal loan companies are subject to regulation by the states in which they operate, including regulation of maximum rates of interest which may be charged. General's consumer credit transactions and credit advertising are subject to the Federal Consumer Protection Act and the Equal Credit Opportunity Act.

Properties: General leases its home office building at 1301 Central Avenue in Evanston, Illinois and conducts consumer finance activities through 528 offices in 26 states all of which are leased. See Note 8 to General's consolidated financial statements for information regarding lease commitments.

OTHER INTERESTS OF CNA

Larwin, a wholly owned subsidiary, is principally engaged in the development of single-family housing and related real estate activities. Larwin houses are primarily financed under conventional mortgages. For information concerning restructuring of Larwin's indebtedness, purchase of Larwin's notes by CNA, and recognition of Larwin's results of operations by CNA, see Note I to CNA's consolidated financial statements.

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CNA owns 45% of the common stock of Healthco, Inc., which is engaged in service and marketing of medical and dental equipment and supplies and the operation of dental laboratories. Healthco operates 123 branches in the United States and Canada, and is the largest dental supply and equipment distribution company in the United States.

LORILLARD DIVISION

Sales of cigarettes account for approximately 97% of the net sales of the Lorillard division (Lorillard). The principal filter cigarette brands of Lorillard are Kent, Kent III, Golden Lights, Newport, Newport Lights, True, Old Gold, Old Gold Lights, Spring and Max. The principal non-filter cigarette brand is Old Gold Straights. Other tobacco products include Lorillard's little cigar brands: Between the Acts, Madison and Omega, and small cigars marketed under the brand name Erik. Lorillard's chewing tobacco brands are Beech-Nut, Big Red, Bagpipe and Havana Blossom. Sales of "low tar" brands have increased since 1975 from approximately 20% of all cigarettes sold by Lorillard to approximately 80% in 1978.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for chewing tobacco, radio and television. In addition, Lorillard distributes Gift Star coupons with its Spring and Old Gold cigarette brands. Sales promotion activities are conducted by distribution of samples, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast antismoking messages and the Federal Communications Commission has determined that the "fairness doctrine," requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues creates no right to reply to such messages. Federal law requires that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking is Dangerous to Your Health." Lorillard and the other cigarette manufacturers have agreed, pursuant to consent orders entered into with the Federal Trade Commission (Commission) to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner (see Item 5—"Legal Proceedings—Lorillard").

Several states, counties and municipalities have enacted or are considering legislation intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places. From time to time, bills have been introduced in Congress, among other things, to end or limit price supports for leaf tobacco; to provide that cigarette advertising is not a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Commission to promulgate standards establishing maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for health research; and to require segregation of smokers and non-smokers on interstate public transportation and in certain areas in federal facilities.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets; and through chain store organizations and vending machine operators, many of whom purchase their requirements directly. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco, burley tobacco and Maryland tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions (see Item 5—"Legal Proceedings—Lorillard"). Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and Greece, and uses seed leaf tobacco, grown mostly in Wisconsin, Ohio, Pennsylvania and Connecticut, for use in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives. In addition Lorillard purchases substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

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Due to the varying size and quality of annual crops and other economic factors, tobacco prices have in the past been subject to wide fluctuations. Among economic factors are federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1978, the average auction price per pound for flue-cured tobacco increased from a low of approximately 72.0 cents to a high of approximately $1.352, or 87.8%. During the most recent ten-year period, the average auction price per pound for burley increased from a low of approximately 69.6 cents in 1969 to a high of approximately $1.312 in 1978, or 88.5%. The prices paid by Lorillard increased with such trend. During 1978, Lorillard increased the wholesale price of its cigarettes by $.85 per thousand. Effective January 1979 such prices were increased by $.55 per thousand.

Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 to the Consolidated Financial Statements for inventory costing methods.

Taxes: The prices of cigarettes include Federal excise tax at the rate of $4.00 per thousand. Excise taxes on cigarettes, which are levied upon and paid by the distributors, are also in effect in the fifty states and the District of Columbia. Such taxes, including those imposed by many municipal taxing authorities, generally range from 2 cents to 23 cents per package of twenty cigarettes.

International: See Note 16 to the Consolidated Financial Statements for information relating to the sale, in 1977, of Lorillard's rights to its cigarette brands outside the United States and U.S. possessions and of certain assets relating thereto.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, wrapping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina, and Louisville, Kentucky. The Greensboro plant is devoted exclusively to the manufacture of cigarettes. The Greensboro plant, located on approximately 79 acres, contains approximately 786,600 square feet. The Louisville plant, which consists of multi-storied buildings totaling about 800,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 2,000,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Lexington, Kentucky, Lancaster, Pennsylvania and Westby and Stoughton, Wisconsin. A modern research facility consisting of approximately 82,000 square feet is located at Greensboro. Lorillard leases executive offices at 666 Fifth Avenue, New York, New York 10019.

Competition: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total taxable factory removals of all cigarettes manufactured in the United States and total taxable factory removals of all cigarettes manufactured by Lorillard, indicates the relative position in the industry of Lorillard:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry
1974	576,173,000	48,176,000	8.4%
1975	588,345,000	46,931,000	8.0%
1976	617,892,000	47,697,000	7.7%**
1977	592,006,000	52,604,000	8.9%**
1978	614,195,000	54,558,000	8.9%**

* Source: Reports and bulletins of the Internal Revenue Service.

** The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1978, 1977, and 1976 Lorillard's share of the domestic market was 9.1%, 8.8% and 8.1%, respectively, based on estimated cigarette output by company.

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On the basis of information currently available, Lorillard ranks fifth among the major producers of tobacco products in the country.

HOTEL ACTIVITIES AND PROPERTIES

The Company presently operates 15 hotels and motor hotels, including four hotels and two motor hotels in New York City; two hotels in London, England; one hotel in each of Washington, D.C. and Dallas, Texas; three hotels in Canada (Quebec City, Montreal and Toronto) and resort hotels at Monte Carlo, Monaco, and Paradise Island, Nassau, the Bahamas.

The Company is actively engaged in seeking new sites in the United States, Europe and other areas. The Company enters into management and other arrangements for hotels as suitable locations are selected. The Company has entered into a management agreement for the operation of the Loews Biarritz in France, presently under construction, which is expected to open in 1980. In January 1979 the Loews Anatole opened in Dallas, Texas.

The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $64,737,000, at interest rates ranging from 5.5% to 8.05%, and maturing between 1979 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $58,534,000, at interest rates ranging from 5% to 9.5%.

The following are the hotel properties currently operated by the Company. The number of rooms in a hotel varies from time to time. All numbers of rooms in the following table are as of December 31, 1978.

Name of Hotel	Location	Type	Number of Rooms	Date Opened	Owned, Leased or Managed
Anatole	Dallas, Texas	Luxury Hotel	1,001	1979	Mgmt. Contract
Drake	New York, New York	Luxury Hotel	642	1926*	Owned
Howard Johnson's Motor Lodge**	New York, New York	Motor Hotel	300	1962	Leased Land
L'Enfant Plaza	Washington, D.C.	Luxury Hotel	372	1973	Mgmt. Contract
La Cité	Montreal, Canada	Luxury Hotel	481	1976	Mgmt. Contract
Le Concorde	Quebec City, Canada	Luxury Hotel	434	1974	Mgmt. Contract
Montcalm	London, England	Luxury Hotel	112	1973*	Leased
Monte Carlo	Monte Carlo, Monaco	Resort Hotel	640	1975	Leased
Paradise Island Hotel and Villas	Paradise Island Nassau, Bahamas	Resort Hotel	500	1967	Leased
Ramada Inn**	New York, New York	Motor Hotel	368	1962	Owned
Regency	New York, New York	Luxury Hotel	496	1963	Leased Land
Summit	New York, New York	First Class Hotel	781	1961	Leased Land
The Churchill	London, England	Luxury Hotel	489	1970	Leased
Warwick	New York, New York	Luxury Hotel	504	1926*	Owned
Westbury	Toronto, Canada	Luxury Hotel	546	1956*	Leased

* The Drake Hotel has been owned by the Company since 1964 and the Warwick Hotel since 1965. Rooms shown for the Drake Hotel include 185 rooms in a new wing opened in 1962. The leases for the Montcalm and Westbury Hotels were acquired in 1977 and 1978, respectively.

** Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for use of the respective trade names, trademarks and other rights.

The Company's hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses. The hotel in Monte Carlo contains a casino.

The Company has leased to a joint venture the former Hotel Americana of New York and the City Squire Motor Inn, in New York City, for terms expiring in 2002 and 2000, respectively. The leases, which

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are guaranteed by American Airlines, Inc. and Sheraton Corporation, provide for payment of fixed aggregate annual rentals and a percentage rental with provisions for maximum fixed annual and percentage rents.

Competition from other hotels, motor hotels and inns, including facilities owned by local interests and facilities owned by national and international chains, is vigorous in all areas in which the Company operates facilities. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. As reported by "Institutions," a trade publication, the Company's hotel division ranked 24th among the world's largest hotel organizations at the end of 1977. Because of the competitive nature of the industry, hotel and motor hotel operations must make continuing expenditures for updating, refurnishing, repairs and maintenance, in order to prevent competitive obsolescence.

THEATRE ACTIVITIES AND PROPERTIES

The Company's theatres exhibit feature motion pictures and, occasionally, accompanying short subjects, which are licensed for exhibition by film distributors.

The Company operates 127 motion picture theatre screens located in 31 cities or towns in 10 states. The 127 screens are contained in 61 facilities, of which 20 are owned and 41 are leased. All are conventional theatres. The theatres operated vary in size and include suburban theatres and large, deluxe "showcase" theatres.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of film. In general, the selection of films is determined by community preference, availability and terms. Films are licensed on a picture by picture basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy, ice cream products and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales.

In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The theatres owned by the Company, some of which are also commercial properties, are subject to mortgage liens securing indebtedness aggregating approximately $6,995,000 at December 31, 1978, bearing interest rates ranging from 5¾% to 9¾%, and maturing between 1979 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $7,042,000, at interest rates ranging from 5¾% to 9%.

During the year ended December 31, 1978, the Company acquired five single screen theatres in Cleveland, Ohio, which have been converted to a total of ten screens. In addition, eight screens were added by converting existing theatres to multiple-screen theatres and the operation of seven single screen theatres and one twin screen theatre was discontinued.

The business of motion picture exhibition is highly competitive. The Company is one of many theatre chains in the United States. The Company operates theatres in certain areas of the United States which are heavily saturated with theatres of various national and local exhibitors. The Company faces intense competition from locally significant competitors in obtaining quality films. As a result of trade practice limitations imposed upon the eight major motion picture distributors by various decrees entered in the cases of *United States v. Paramount, et al.* and *United States v. Loew's Incorporated, et al.* (see Item

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5—"Legal Proceedings—Theatres"), the pictures of such distributors must be offered and licensed to exhibitors, including the Company, picture by picture and theatre by theatre. In addition to competition from other motion picture theatre operators, the Company's film exhibition business is confronted with other forms of competition in the entertainment field, among which are television and other forms of home entertainment, and films provided for viewing by hotel guests through hotel room television sets. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

OTHER INTERESTS

Since April 1969 the Company had been engaged in the planning and construction of residential developments, including townhouses, garden and high-rise condominiums, detached homes and garden and high-rise rental apartments. As of September 1, 1978, the Company substantially completed the final project of its Loews/Snyder residential development activities. While there are still a few closings of developed properties to occur in 1979, residential development will no longer contribute significantly to the results of the Company's operations.

At December 31, 1978, JHS Real Estate Company ("Snyder") had underlying notes payable aggregating approximately $24,402,000 secured by approximately $32,794,000 of all inclusive trust deed notes receivable from buyers of apartment projects previously constructed and sold by it. These notes payable bear interest at 8% to 8.75% and mature between 1996 and 2003. From time to time, Snyder has received capital contributions from the Company. During 1978, however, Snyder distributed to the Company $27,316,000 in excess of the capital contributions made by the Company to Snyder during the year. Such distribution resulted from funds generated by the sale of land, residential units and purchasers' mortgages originated by Snyder in 1978 and prior years.

The Company also owns two high-rise combination commercial and apartment buildings in New York City; the land under a new office building containing approximately 2,000,000 square feet of office and commercial space in New York City; and a commercial and office building in New York City, and another in Los Angeles, California. The foregoing properties are subject to mortgages as of December 31, 1978, aggregating approximately $17,296,000, at interest rates of 5.5% to 7.5%, maturing between 1980 and 2010.

A wholly-owned subsidiary of the Company on February 13, 1979 offered to acquire the outstanding shares of Bulova Watch Company, Inc. at a price of $10.00 a share. At expiration of the extended Offer on March 21, 1979, approximately 2,017,000 shares had been tendered. The shares tendered, together with 1,396,891 shares owned prior to commencement of the Offer, constitute approximately 91% of Bulova's outstanding shares. Bulova manufactures and sells watches and clocks for consumer use, timepiece parts and power cells, and non-consumer products for defense and industrial use.

EMPLOYEE RELATIONS

The Company, exclusive of CNA and its subsidiaries, employed approximately 11,300 persons at December 31, 1978. A substantial number of such personnel are represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed. The Company considers its employee relations to be satisfactory.

The Company maintains a retirement plan, group life, disability and health insurance program, and a savings plan for its salaried employees. The Company has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants, with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The Company has a retirement plan, a deferred profit sharing plan and other benefits for the hourly paid employees of the Lorillard division who are represented by the foregoing unions.

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CNA and its consolidated subsidiaries employ approximately 14,000 persons and have experienced satisfactory labor relations, with no work stoppages due to labor disagreements. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees.

ENERGY SHORTAGE

The ultimate effect of the current energy shortage on the economy as a whole and, hence, on the Company's business, is uncertain at this time. To date, the impact on the Company has not been materially adverse, although direct costs of natural gas, fuel oil, electricity and steam supplied by public utilities have materially increased, as well as costs of transportation and products manufactured from petroleum derivates used by the Company's divisions. There has been no material impact on the Company's operations. The Company and its subsidiaries and divisions have an on-going program to conserve energy. Included in this program are measures to reduce lighting, heating, air conditioning and usage of machinery in order to minimize needs consistent with safety and security.

WAGE AND PRICE STABILIZATION

The Company is complying with the Voluntary Standards of the Council on Wage and Price Stability as stated in the rules and regulations of that agency. Although the ultimate effect of the program on the economy and the Company's business is uncertain, this compliance is not expected to have a material effect on current operating results of the Company.

Item 2. SUMMARY OF OPERATIONS.

The Summary of Operations, related earnings and dividend per share data, and Management's Discussion and Analysis of the Summary of Operations, appearing at Pages 16 through 22 of the accompanying 1978 Annual Report to Shareholders are furnished in response to the requirement of this item. (See footnote on Page 1.) The report of Touche Ross & Co., independent public accountants, with reference to their examination for the years ended December 31, 1978 and 1977, covering the Statements of Consolidated Income is included elsewhere. Other financial statements and related notes are furnished under Item 12(a).

Item 3. PROPERTIES.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1 hereof.

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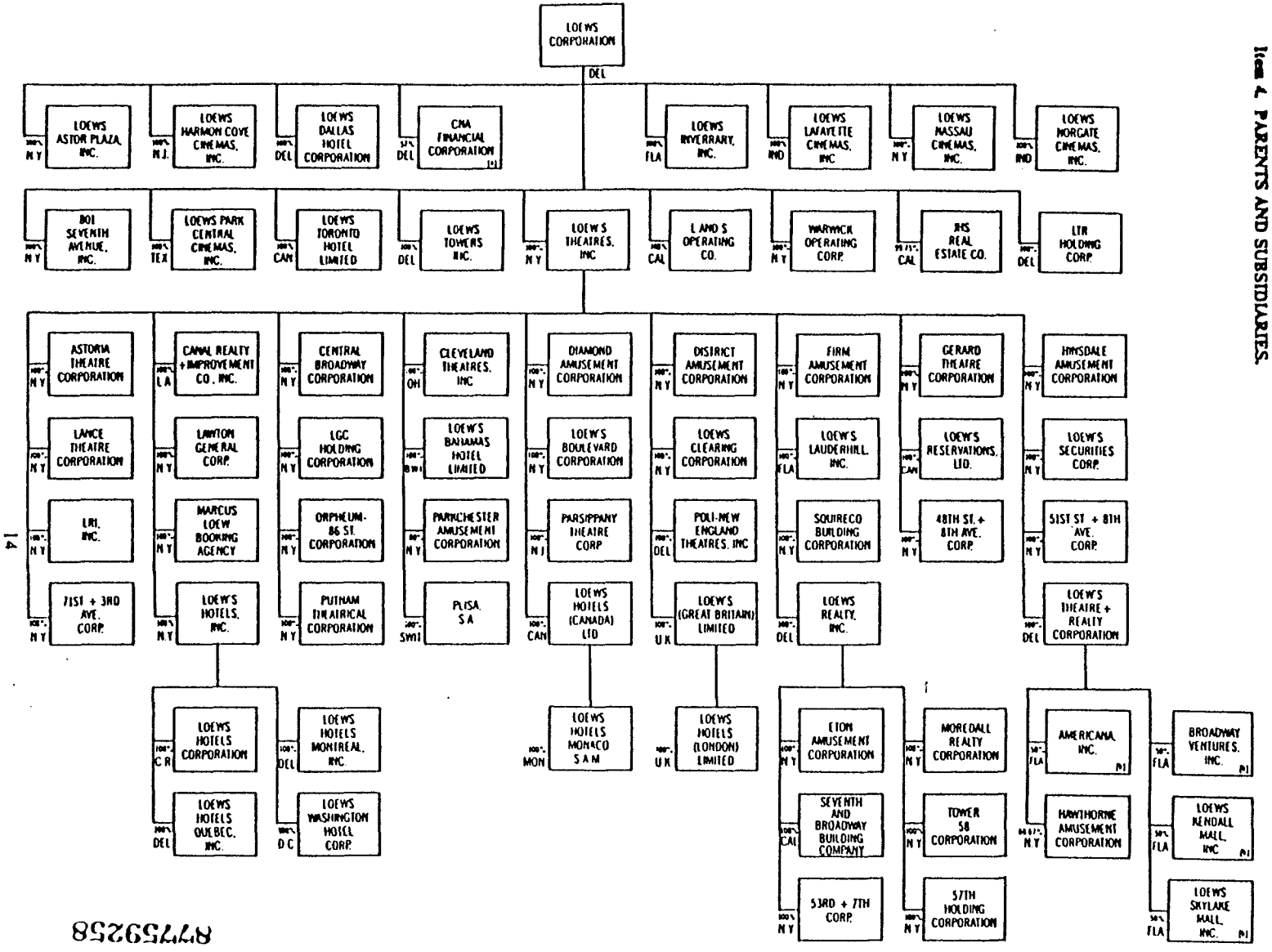

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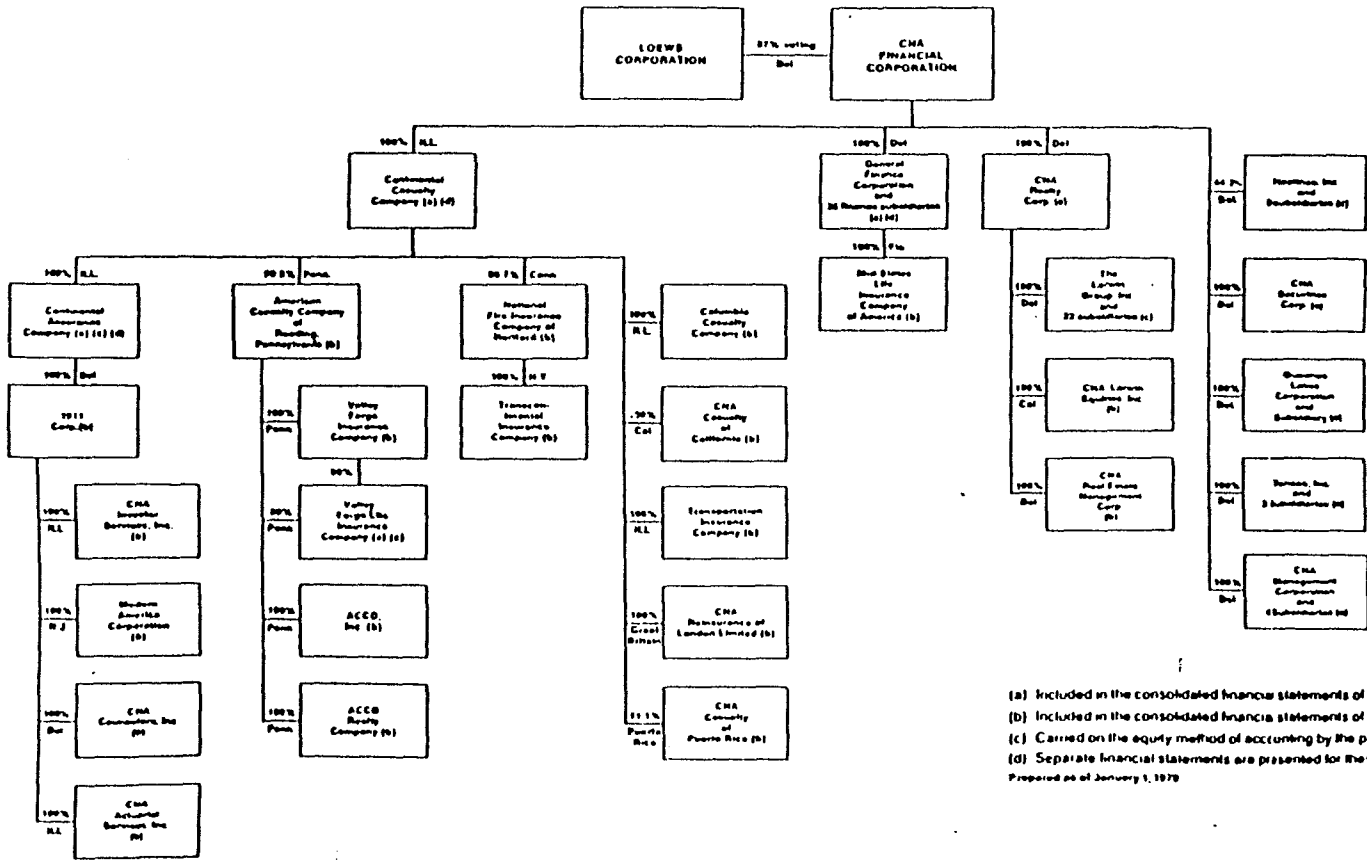
Note: All subsidiaries, unless otherwise noted, are included in the consolidated financial statements filed herewith. This chart omits a number of subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

(a) For information relating to the CNA subsidiaries, see the following page.

(b) Companies not included in the consolidated financial statements and for which no statements are filed. 50% or less of the capital stock of these companies is owned directly or indirectly by Registrant, and all such companies considered in the aggregate do not constitute a significant subsidiary.

January 15, 1979

CNA FINANCIAL CORPORATION
CORPORATE CHART



(a) Included in the consolidated financial statements of CNA Financial Corporation
(b) Included in the consolidated financial statements of the company's immediate parent
(c) Carried on the equity method of accounting by the parent company
(d) Separate financial statements are presented for these companies

Prepared as of January 1, 1979

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Item 5. LEGAL PROCEEDINGS.

Lorillard: By decree dated November 16, 1911 of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America v. The American Tobacco Company and others*, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (1) making transfers of its property to any other of those corporations, (2) making any agreements of types deemed anti-competitive with any other of those corporations, (3) holding stock in a corporation whose stock is also held by another of those corporations and (4) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

An alleged class action pending against the Company, in the United States District Court for the Eastern District of North Carolina, Wilson Division, by certain former shareholders of Lorillard Corporation seeks damages in an amount to be determined, based on assertions by them that (1) they incurred immediate rather than deferred Federal income tax liability, not adequately disclosed in the proxy materials relating to the merger of Lorillard into Loew's Theatres, Inc. in 1968, and (2) that had all relevant facts been disclosed the Company would have been compelled to offer better terms to acquire Lorillard. In January 1978, the Court denied plaintiffs' motion to maintain the action as a class action. In April 1978 the Court denied Plaintiff's motion for reargument or in the alternative for change of venue. In June 1978 the United States Court of Appeals for the Fourth Circuit denied Plaintiff's petition for writ of mandamus from the order of the District Court.

Two civil actions purporting to be class actions, one of which was brought in July 1974 in the United States District Court for the Eastern District of Kentucky and the other in April 1975 in the United States District Court for the Eastern District of North Carolina, are pending against the six major United States cigarette manufacturers, including the Company, and others, in which certain tobacco farmers allege violations of the antitrust laws and seek damages of approximately $43,000,000, and an unspecified amount, respectively, plus attorneys' fees and costs. In November 1978 the District Court in the North Carolina suit held that action may not proceed as a class action. No appeal was taken from that ruling. The Company is vigorously contesting each of the actions. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to each suit.

A similar action had also been commenced against the Company in July 1974 in the United States District Court for the District of South Carolina by six growers of flue cured tobacco on behalf of an alleged class of growers residing in South Carolina. The plaintiffs sought damages in that action of approximately $336,000,000. A denial of class action status was affirmed by the Fourth Circuit Court of Appeals, and the United States Supreme Court denied a petition for review of that decision. The suit was dismissed in January 1979 pursuant to a settlement agreement in which plaintiffs acknowledged that they found no evidence of illegal activity by the Company.

In October 1975 the United States, on behalf of the Federal Trade Commission (the "Commission"), commenced an action in the United States District Court for the District of Columbia against Lorillard and the five other major cigarette manufacturers, alleging concerted violation of consent orders entered into with the Commission relating to inclusion of the health warning statement appearing on cigarette packages, in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes. The action seeks penalties in unspecified amounts and injunctive relief, including creation of a trust fund to remedy alleged failure to warn the public of the hazard of smoking. The action has been transferred to the United States District Court for the Southern District of New York. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to the action. Lorillard and four of the other major cigarette manufacturers have reached substantial agreement on terms of a proposed settlement, which is now under consideration by senior Commission staff members. The settlement, subject to Commission approval, presently provides that Lorillard's share will be in the amount of $100,000.

In August 1977 the Commission instituted an action in the United States District Court for the District of Columbia seeking enforcement of subpoenas served in May 1976 on Lorillard, the five other major

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cigarette manufacturers, two industry groups and various advertising agencies. The subpoenas sought production of documents relating to Lorillard's and the other companies advertising and marketing activities since 1964 in connection with a Commission investigation of alleged unfair trade practices in the cigarette industry. Lorillard filed an answer asserting invalidity and unenforceability of the subpoenas on various grounds. Lorillard and the other respondents also requested discovery and moved to transfer the action to the Southern District of New York. An order transferring the action to the Southern District of New York was vacated by the United States Court of Appeals for the District of Columbia in April 1978. In January 1979 the District Court for the District of Columbia denied discovery and held the subpoenas valid and enforceable. Lorillard and the other respondents have moved to stay the order entered on such decision, pending appeal of the decision to the Court of Appeals for the District of Columbia.

Theatres: Under a Consent Judgment entered in the United States District Court for the Southern District of New York in 1952, in *United States* v. *Loew's Incorporated, et al.*, the Company was prohibited from, among other things, engaging in the distribution of motion pictures and acquiring theatres, except upon a showing to the court that any such activity would not unduly restrain competition. On July 25, 1974, the District Court entered an order amending the Consent Judgment to provide that no court approval is required with respect to any theatre constructed by or for the Company, or with respect to the conversion of an existing theatre into a twin or multiple screen theatre. The Company has applied to the District Court for an order vacating the Consent Judgment insofar as applicable to the Company. A hearing on such application is presently scheduled for May 1979.

Other: In July 1978 an action was commenced in the United States District Court for the Eastern District of New York by the Federal Deposit Insurance Corporation (FDIC) as Receiver of Franklin National Bank (FNB), against Laurence A. Tisch, Chairman of the Board and Chief Executive Officer of the Company, Tisch Hotels, Inc., the Company, and two of its subsidiaries, Loew's Theatres, Inc. (Theatres) and Lawton General Corp. (Lawton). The complaint essentially sets forth three claims; (1) that Mr. Tisch misused his position as a director of FNB and its parent, Franklin New York Corporation (FNYC) and "inside information" to obtain a premium for defendants, Theatres and Lawton, on the sale of 1,000,000 shares of FNYC common stock to Fasco International Holding, S.A. (Fasco), a company then controlled by Michele Sindona (Sindona); (2) that Mr. Tisch misused his position as a director of FNB and FNYC to "facilitate" various steps whereby Sindona and his associates were placed in positions of management control of FNB and, particularly, its international business, as a result of which Sindona caused FNB to suffer substantial damages; and (3) that Mr. Tisch and the defendant corporations owed a fiduciary duty to FNYC and FNB which was breached by alleged failure to make proper investigation of Sindona. Plaintiff FDIC seeks (a) judgment in the amount of the asserted premiums obtained in the sale of FNYC shares; (b) judgment in an amount to be determined with respect to asserted facilitation of transfer of management control over FNB's international business; and (c) judgment in an amount to be determined with respect to damage due to the exercise of management control by Sindona and Fasco, as well as imposition of a constructive trust upon all proceeds allegedly derived from breach of fiduciary duty owed to FNB. The defendants have denied the material allegations of the complaint and asserted numerous affirmative defenses. The action is presently in a preliminary discovery stage.

Also, in July 1978, an action was commenced by Sindona in the United States District Court for the Southern District of New York, against the same defendants named in the action described above. The complaint alleges violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and common law fraud, supposedly arising out of non-disclosure and misrepresentation by the defendants in connection with an agreement dated July 11, 1972 whereby Sindona, allegedly acting through Fasco, purchased from Theatres and Lawton, 1,000,000 shares of FNYC common stock at an aggregate cost of $40,000,000. Plaintiff seeks (i) compensatory damages in the amount of $40,400,000, or rescission of the purchase contract and (ii) punitive damages in the amount of $80,000,000. Defendants have denied the material allegations of the complaint and asserted numerous affirmative defenses and a counterclaim for recovery of all damages, if any, assessed in the action brought by the FDIC described above. On March 6, 1979 Sindona appeared for his deposition by defendants pursuant to order of the District Court and asserted his Fifth Amendment privilege against self-incrimination in response to all questions asked of him with respect to material allegations of the

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complaint. On March 9, 1979, defendants made a motion to compel Sindona to comply with defendants' discovery request and upon his failure to do so on Fifth Amendment grounds, to have the complaint dismissed with prejudice.

In August 1978 an action was commenced in the Supreme Court of the State of New York, County of New York, by Sol Neil Corbin as Trustee in Bankruptcy of FNYC, against the same defendants named in the two actions described above. The complaint essentially sets forth four causes of action: (1) that Mr. Tisch and the subsidiaries misused FNYC stock ownership and Mr. Tisch's directorships in FNYC and FNB and "inside information" to obtain a premium on the sale of 1,000,000 shares of FNYC common stock to Fasco; (2) that Mr. Tisch and the Company's subsidiaries owed fiduciary duties to FNYC and FNB which were breached by alleged failure to make proper investigation of Sindona; (3) that Mr. Tisch and the subsidiaries misused their positions to "secure" for Sindona and his associates positions of management control of FNB and, particularly, its international business, as a result of which Sindona caused FNB to suffer substantial damages; and (4) that Mr. Tisch and the subsidiaries owed a fiduciary duty to FNYC not to use FNYC's assets for their own interests and benefit, which duty was breached by demanding and receiving from Fasco a substantial premium over the fair value of the FNYC common stock sold by the Company's subsidiaries. Plaintiff Trustee seeks (1) judgment in the amount of all profits and benefits derived from the alleged use of inside information in the sale of 1,000,000 shares of FNYC common stock referred to above; (2) damages of not less than $45,000,000 with respect to the alleged failure to investigate Sindona's suitability; (3) judgment for any premium received from the alleged sale of FNYC's corporate offices and management control of FNB's international banking operations; and (4) judgment in the amount of any premium received for allegedly placing Sindona in a position to utilize FNYC's assets for his own benefit. The defendants have denied the material allegations of the complaint and asserted numerous affirmative defenses. The action is presently in a preliminary discovery stage.

Pending litigation also includes other civil and anti-trust actions for damages. Because of the nature of litigation, it is not possible to predict the outcome of these actions; however, in the opinion of Management, the outcome of such actions should not materially affect the business or assets of the Company and its subsidiaries.

As reported in the Company's Form 8-K for the month of January 1977, the Company had voluntarily disclosed that during the period 1971 through 1976 it made certain questionable foreign payments in the amount of approximately $1.6 million and improperly reimbursed certain domestic political contributions made by certain executives of the Company in the amount of approximately $62,100. The Securities and Exchange Commission conducted an informal review of materials and information voluntarily disclosed by the Company and, in mid-1977, indicated that its staff was no longer investigating the Company in connection with such payments. An investigation of such payments by the Internal Revenue Service (IRS) regarding possible violations of the tax laws was concluded in 1978 with respect to the Company's tax years ended August 31, 1971 and 1972. The Company has been advised by the audit division of the IRS that it will seek to impose a 5% civil negligence penalty for such years because of the tax treatment of such payments. It is also probable that the IRS will seek to impose the 5% civil negligence penalty in connection with the audit of the Company's tax returns for later years through 1974. If the IRS is successful, the civil negligence penalty would apply to the entire underpayment of the Company's taxes for the years involved even though only part of the underpayment is determined to be the result of negligence. The Company is not able, at this time, to predict the outcome of the IRS's attempt to impose the civil negligence penalty. Other governmental agencies may be continuing to investigate such payments.

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Item 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES AND INDEBTEDNESS.

(a) Changes in outstanding equity securities:

Common Stock ($1.00 par value):	
Number of shares outstanding as of December 31, 1977	12,019,619
Number of shares issued under the Company's Qualified Stock Option Plan	33,547
Exercise of Warrants	2,716
Purchased for Treasury between January 1, 1978 and December 31, 1978	(589,300)
Number of shares outstanding as of December 31, 1978	11,466,582

(b) and (c) Changes in outstanding debt securities and other debt:

Outstanding debt—December 31, 1977	$ 897,000
Changes due to:	
Assumption of debt (principally mortgages) through mergers of wholly-owned subsidiaries into Registrant	12,151,000
Current maturities	(1,525,000)
Outstanding debt—December 31, 1978	$11,523,000

Item 7. CHANGES IN SECURITIES AND CHANGES IN SECURITY FOR REGISTERED SECURITIES.

None

Item 8. DEFAULTS UPON SENIOR SECURITIES.

None

Item 9. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS.

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	Approximately 9,493 as of March 23, 1979

Item 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Inapplicable

Item 11. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Unchanged from previous Form 10-K filed for the four months ended December 31, 1974.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices Held	Age	First Became Officer
Kenneth Abrams	Vice President	45	1975
Gerald Diamond	Vice President	63	1972
Robert J. Hausman	Vice President	55	1973
Barry Hirsch	Vice President, Secretary and General Counsel	45	1971
Harry Katz	Controller	52	1974
Bernard Myerson	Executive Vice President	61	1963
Lester Pollack	Executive Vice President	45	1965
Roy E. Posner	Vice President—Financial Services	45	1973
Arthur J. Raporte	Vice President	61	1960
Jacob Sullman	Treasurer	62	1958
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	56	1959
Preston R. Tisch	President and Chief Operating Officer	52	1960

The Messrs. Tisch are brothers. None of the other officers or directors of the Company is related to any other. All executive officers of the Company have been engaged actively and continuously in the business of the Company and its predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

Item 12. FINANCIAL STATEMENTS, EXHIBITS FILED, AND REPORTS ON FORM 8-K.

The following financial statements, schedules and exhibits are filed as part of this report:

(a)1 Financial Statements:

	Page Number
LOEWS CORPORATION AND SUBSIDIARIES:	
See accompanying Index to Financial Statements	L-1
CNA FINANCIAL CORPORATION (CNA):	
Report of Independent Certified Public Accountants	C-1
Consolidated Balance Sheet—December 31, 1978 and 1977	C-2
Statement of Consolidated Operations—For the years ended December 31, 1978 and 1977	C-3
Statement of Consolidated Stockholders' Equity—For the years ended December 31, 1978 and 1977	C-4
Statement of Changes in Consolidated Financial Position—For the years ended December 31, 1978 and 1977	C-5
Balance Sheet (Parent Company)—December 31, 1978 and 1977	C-6
Statement of Operations (Parent Company)—For the years ended December 31, 1978 and 1977	C-7
Statement of Stockholders' Equity (Parent Company)—For the years ended December 31, 1978 and 1977	C-7
Statement of Changes in Financial Position (Parent Company)—For the years ended December 31, 1978 and 1977	C-8
Notes to Financial Statements	C-9

87759264

	Page Number
CONTINENTAL CASUALTY COMPANY (Casualty):	
Report of Independent Certified Public Accountants	C-1
Consolidated Balance Sheet—December 31, 1978 and 1977	C-24
Statement of Consolidated Operations—For the years ended December 31, 1978 and 1977	C-25
Statement of Consolidated Stockholder's Equity—For the years ended December 31, 1978 and 1977	C-25
Statement of Changes in Consolidated Financial Position—For the years ended December 31, 1978 and 1977	C-26
Notes to Financial Statements	C-27
CONTINENTAL ASSURANCE COMPANY (Assurance):	
Report of Independent Certified Public Accountants	C-1
Consolidated Balance Sheet—December 31, 1978 and 1977	C-38
Statement of Consolidated Operations—For the years ended December 31, 1978 and 1977	C-39
Statement of Consolidated Stockholder's Equity—For the years ended December 31, 1978 and 1977	C-39
Statement of Changes in Consolidated Financial Position—For the years ended December 31, 1978 and 1977	C-40
Notes to Financial Statements	C-41
GENERAL FINANCE CORPORATION (General):	
Report of Independent Certified Public Accountants	C-1
Consolidated Balance Sheet—December 31, 1978 and 1977	C-52
Statement of Consolidated Operations—For the years ended December 31, 1978 and 1977	C-53
Statement of Consolidated Stockholder's Equity—For the years ended December 31, 1978 and 1977	C-53
Statement of Changes in Consolidated Financial Position—For the years ended December 31, 1978 and 1977	C-54
Notes to Financial Statements	C-55

Schedules:

LOEWS CORPORATION AND SUBSIDIARIES:	
See accompanying Index to Financial Statements	L-1
CNA FINANCIAL CORPORATION (CNA):	
Information required by Schedules I, III, IV, IX, X, and XIII at December 31, 1978 and 1977 or for the years then ended is included in the Financial Statements or Notes to Financial Statements as follows:	
Schedule I—Marketable Securities—Other Security Investments—Note C	
Schedules III, IV and X—Investment in, Equity in Earnings of, and Dividends Received from Affiliates and Other Persons—Note N, Balance Sheet and Statement of Operations (Parent Company)	
Schedule IX—Bonds, Mortgages and Similar Debt—Note D	
Schedule XIII—Capital Shares—Note E	
Additional Schedule filed herein as follows:	
Schedule XII—Valuation and Qualifying Accounts and Reserves	C-23

Financial statements of CNA's unconsolidated affiliates are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.

87759265

Page Number

CONTINENTAL CASUALTY COMPANY (Casualty):
Information required by Schedule I at December 31, 1978 and 1977 is included in Note 3 to Financial Statements.
Additional Schedules filed herein as follows
Schedule III—Investment in, Equity in Earnings of, and Dividends Received from Affiliates C-36
Schedule VII—Premiums, Losses and Claims C-37

Financial statements of Casualty's unconsolidated affiliates, other than Assurance, are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.

CONTINENTAL ASSURANCE COMPANY (Assurance):
Information required by Schedule I at December 31, 1978 and 1977 is included in Note 2 to Financial Statements.
Additional Schedules filed herein as follows:
Schedule IV—Deferred Policy Acquisition Costs C-49
Schedule VII—Future Policy Benefits and Insurance in Force C-50

GENERAL FINANCE CORPORATION (General):
Information required by Schedules IX and XIII at December 31, 1978 and 1977 is included in the Notes to Financial Statements as follows:
Schedule IX—Bonds, Mortgages and Similar Debt—Note 4
Schedule XIII—Capital Shares—Note 5
Additional Schedules filed herein as follows:
Schedule XII—Valuation and Qualifying Accounts and Reserves C-61
Schedule XVI—Supplementary Income Statement Information C-61

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are omitted because of the absence of the conditions under which they are required, or because the information required is set forth in the consolidated financial statements or the accompanying notes.

(a)2 Exhibits:

1. Computation of Earnings Per Share Assuming Full Dilution for the Years Ended December 31, 1978, 1977, 1976 and 1975, the Four Months Ended December 31, 1974 and the Year Ended August 31, 1974 ..... L-16
2. Amendment dated September 29, 1978 to the Employment Agreement between CNA Financial Corporation and Edward J. Noha
3. Amendment dated October 16, 1978 to the Employment Agreement between a subsidiary of the Company and Curtis H. Judge
4. Amendments to Loews Corporation Employees' Savings Plan effective January 1, 1979
5. Accountants' Letter to CNA Financial Corporation on 1978 Accounting Changes

(b) Reports on Form 8-K:

None

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PART II

Information called for by Part II has been omitted, as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

SIGNATURES

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

LOEWS CORPORATION

By ROY E. POSNER

(Roy E. Posner, Vice President—
Financial Services)

Dated: March 28, 1979

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Year Ended December 31, 1979

Commission File Number 1-6541

LOEWS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue, New York, N. Y. (Address of principal executive offices)	10019 (Zip Code)

(212) 841-1000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No _____

Common Stock Outstanding at December 31, 1979—11,892,053 shares

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LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON
FORM 10-K FILED WITH THE
SECURITIES AND EXCHANGE COMMISSION
FOR THE
YEAR ENDED DECEMBER 31, 1979

PART I

Item No.		Page No.
1	BUSINESS	2
	CNA Financial Corporation	2
	Lorillard Division	8
	Hotel Division	10
	Theatre Division	11
	Bulova Watch Company, Inc.	12
	Other Interests	12
2	SUMMARY OF OPERATIONS	13
3	PROPERTIES	13
4	PARENTS AND SUBSIDIARIES	14
5	LEGAL PROCEEDINGS	16
6	INCREASES AND DECREASES IN OUTSTANDING SECURITIES AND INDEBTEDNESS	18
7	CHANGES IN SECURITIES AND CHANGES IN SECURITY FOR REGISTERED SECURITIES	None
8	DEFAULTS UPON SENIOR SECURITIES	None
9	APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS	18
10	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	Inapplicable
11	INDEMNIFICATION OF DIRECTORS AND OFFICERS	18
12	FINANCIAL STATEMENTS, EXHIBITS FILED, AND REPORTS ON FORM 8-K	19

PART II

Information called for by Part II has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

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PART I

Item 1. *Business.*

Loews Corporation (hereinafter, together with its subsidiaries, referred to as the "Company" or the "Registrant"), primarily through its subsidiaries, is engaged in the production and sale of cigarettes; the operation of hotels; the exhibition of motion pictures; through its approximately 82% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life) and consumer finance; and through its approximately 93% ownership of Bulova Watch Company, Inc. ("Bulova"), the production and sale of watches and other timing devices.

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained on pages 8 and 9 in the accompanying 1979 Annual Report to Shareholders.*

* Except as indicated under Items 1 and 2 and on Page L-1, no other data appearing in the 1979 Annual Report to Shareholders is deemed to be filed as part of this Annual Report on Form 10-K.

CNA FINANCIAL CORPORATION

Effective September 1, 1979 the Company, through a tender offer, increased its ownership in the voting securities of CNA from approximately 58% to approximately 79%. On January 3, 1980, the Company converted its holdings of CNA Series C and D preferred stock to CNA common stock. The conversion of preferred stock increased the Company's ownership to approximately 82% of the outstanding voting securities of CNA, and will result in consolidation of the results of operations of CNA with those of the Company for Federal income tax purposes commencing in 1980. The tabular information herein relating to CNA is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisition of CNA shares.

CNA, operating through subsidiaries, is engaged in property and casualty insurance, life and health insurance and consumer finance. CNA's property and casualty insurance operations are conducted by Continental Casualty Company and its casualty insurance affiliates ("Casualty"), and its life insurance operations primarily by Continental Assurance Company ("Assurance"). The consumer finance business is conducted by General Finance Corporation ("General"). In addition, CNA has interests in a medical and dental supply company and real estate.

Consolidated revenues, operating income (loss) before income tax and assets for each major segment of CNA's business are shown below. This summary should be read in conjunction with CNA's consolidated financial statements.

	Years Ended December 31.				
	1979	1978	1977	1976	1975
	(In millions of dollars)				
REVENUES					
Property and casualty—commercial	$1,283.6	$1,063.4	$1,023.4	$ 810.7	$ 724.3
Property and casualty—personal	172.1	130.5	115.0	109.4	90.5
Total property and casualty(a)	1,455.7	1,193.9	1,138.4	920.1	814.8
Life—individual	355.5	352.2	343.7	348.6	351.4
Life—group	710.7	663.6	657.0	613.8	616.8
Total life(a)	1,066.2	1,015.8	1,000.7	962.4	968.2
Total CNA insurance	2,521.9	2,209.7	2,139.1	1,882.5	1,783.0
Consumer finance	139.1	125.1	112.4	102.6	99.8
Other	12.6	14.4	11.4	10.6	(.1)
Total	$2,673.6	$2,349.2	$2,262.9	$1,995.7	$1,882.7

92749208

	Years Ended December 31,				
	1979	1978	1977	1976	1975
	(In millions of dollars)				
OPERATING INCOME (LOSS) BEFORE INCOME TAX					
Property and casualty—commercial	$ 122.9	$ 125.7	$ 31.8	$ 17.3	$ 38.4
Property and casualty—personal	8.1	10.4	3.2	(.1)	(2.6)
Total property and casualty(a)	131.0	136.1	35.0	17.2	35.8
Life—individual	27.1	27.0	30.8	18.2	9.1
Life—group	30.1	32.4	18.9	11.9	5.3
Total life(a)	57.2	59.4	49.7	30.1	14.4
Total CNA insurance	188.2	195.5	84.7	47.3	50.2
Consumer finance(b)	14.4	17.5	16.5	12.6	9.1
Other(c)	27.5	23.3	5.2	(14.0)	(13.0)
Total	$ 230.1	$ 236.3	$ 106.4	$ 45.9	$ 46.3
ASSETS					
Property and casualty—commercial	$3,485.3	$2,582.4	$2,177.1	$1,894.9	$1,720.2
Property and casualty—personal	506.4	439.7	368.5	363.8	326.6
Total property and casualty(a)	3,991.7	3,022.1	2,545.6	2,258.7	2,046.8
Life—individual	1,583.4	1,492.9	1,395.4	1,399.1	1,334.8
Life—group	1,719.1	1,546.2	1,421.7	1,322.2	1,180.7
Total life(a)	3,302.5	3,039.1	2,817.1	2,721.3	2,515.5
Total CNA insurance	7,294.2	6,061.2	5,362.7	4,980.0	4,562.3
Consumer finance(b)	597.7	566.4	515.3	470.9	457.9
Other	86.3	36.1	79.0	2.0	18.2
Total	$7,978.2	$6,663.7	$5,957.0	$5,452.9	$5,038.4

(a) Property and casualty cedes 85% of its accident and health premiums to the life—individual and group segments. The reinsurance agreement provides for cession of earned premiums, claims and claims expenses based on pro-rata participation in the related business and ceding commission is dependent on claim experience. The premium revenue assumed by the life—individual and group segments and the related pre-tax operating income (loss) in millions of dollars was:

	1979	1978	1977	1976	1975
Premiums assumed					
Life—individual	$ 74.0	$ 83.1	$ 88.3	$ 94.7	$ 99.5
Life—group	72.4	73.9	76.3	77.5	190.5
Total	$146.4	$157.0	$164.6	$172.2	$290.0
Pre-tax operating income (loss)					
Life—individual	$ 2.2	$ .9	$ 6.1	$ 4.3	$(10.4)
Life—group	2.2	3.8	(2.4)	.9	(12.3)
Total	$ 4.4	$ 4.7	$ 3.7	$ 5.2	$(22.7)

The assets and liabilities related to this business remain with property and casualty. Effective in 1976, life—group began to write on a direct basis certain accident and health business previously written by property and casualty.

(b) The operating results and assets of General have been adjusted for goodwill.

(c) Other operating income (loss) includes real estate operations for the years 1979 and 1978 in the amounts of $20.1 and $13.8, respectively.

(d) Assets and investment income of property and casualty insurance and life insurance have been allocated to business segment classifications on the basis of insurance reserves after attribution of separately identifiable assets.

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PROPERTY AND CASUALTY INSURANCE

Casualty markets commercial and personal lines of property and casualty insurance through approximately 43,000 licensed independent agents and brokers. Casualty offers many types of insurance in order to compete for commercial accounts.

The following table sets forth supplemental data for the property and casualty business.

	Years Ended December 31.				
	1979	1978	1977	1976	1975
	(In millions of dollars)				
Commercial Premiums Earned					
Workers' compensation	$ 321.5	$239.1	$212.2	$156.3	$126.1
General liability	214.2	170.1	184.3	142.2	111.7
Multiple peril	145.2	124.2	114.7	104.0	99.5
Professional and specialty	162.8	162.9	170.9	129.1	99.5
Reinsurance	176.3	156.9	115.9	98.4	103.5
Other	91.3	73.1	114.1	89.3	104.0
Total premiums earned	$1,111.3	$926.3	$912.1	$719.3	$644.3
Personal Premiums Earned					
Private passenger	$ 70.7	$ 55.5	$ 49.1	$ 43.9	$ 31.9
Personal property	55.3	40.6	33.9	30.7	26.2
Other	26.3	16.3	18.2	22.1	22.1
Total premiums earned	$ 152.3	$112.4	$101.2	$ 96.7	$ 80.2
Investment Income					
Commercial	$ 172.3	$137.1	$111.3	$ 91.4	$ 80.0
Personal	19.8	18.1	13.8	12.7	10.3
Total investment income	$ 192.1	$155.2	$125.1	$104.1	$ 90.3
Other Data					
Statutory capital and surplus	$ 614.7	$523.3	$442.6	$395.3	$394.3
Written to surplus ratio	2.2	2.2	2.3	2.0	1.7
Trade Ratios (a)					
Loss ratio	74.8%	71.6%	76.8%	80.4%	75.4%
Expense ratio	28.5	29.4	28.4	28.8	30.3
Combined ratio (before policyholder dividends)	103.3	101.0	105.2	109.2	105.7
Policyholder dividend ratio	2.0	1.0	1.8	1.9	1.7

(a) Trade ratios are a measure of property and casualty underwriting profitability. The combined ratio is the sum of the loss ratio and the expense ratio. The loss ratio is the percentage of incurred losses to earned premiums. The expense ratio is the percentage of statutory underwriting expenses to premiums written and policyholder dividend ratio is the ratio of such dividends to premiums earned.

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LIFE INSURANCE

Assurance markets individual and group insurance products through approximately 25,000 licensed agents, most of whom are independent contractors, who sell insurance for Assurance and for other companies on a commission basis. Insurance products are sold to individuals and small businesses. Group insurance products are sold to employers, employer associations and trusts ranging in size from small local employers to large multi-national corporations.

The following table sets forth supplemental data for the life insurance business including volume data and premium revenues for similar classes of insurance.

	Years Ended December 31,				
	1979	1978	1977	1976	1975
	(In millions of dollars)				
Individual Premiums					
Life	$ 175.4	$ 170.9	$ 163.0	$ 165.3	$ 166.0
Accident and health	89.5	98.4	104.3	109.7	114.1
Annuities	4.3	5.2	5.9	5.9	5.7
Total premiums	$ 269.2	$ 274.5	$ 273.2	$ 280.9	$ 285.8
Group Premiums					
Life	$ 113.5	$ 107.4	$ 112.0	$ 117.1	$ 117.7
Accident and health	489.5	457.6	434.6	392.9	396.4
Annuities	9.1	11.3	12.8	13.7	15.8
Total premiums	$ 612.1	$ 576.3	$ 559.4	$ 523.7	$ 529.9
Investment and Other Income					
Individual	$ 86.3	$ 77.7	$ 70.5	$ 67.7	$ 65.6
Group	98.6	87.3	97.6	90.1	86.9
Total investment and other income	$ 184.9	$ 165.0	$ 168.1	$ 157.8	$ 152.5
Life Insurance in Force					
Individual	$ 9,488	$ 8,594	$ 8,015	$ 7,812	$ 7,789
Group	12,337	12,315	12,236	11,910	10,163
Total	$21,825	$20,909	$20,251	$19,722	$17,952
Other Data					
Statutory surplus	$ 187.2	$ 166.6	$ 138.7	$ 112.7	$ 96.4
Participating policyholder—percent of gross life insurance in force	21.6%	22.0%	21.0%	21.8%	24.1%
Lapse ratio—individual life(a)	9.5%	9.2%	10.5%	11.2%	10.1%

(a) The lapse ratio is for terminations after the first year and is calculated on the basis of current year terminations (other than death or maturity) and life insurance in force at the beginning of the year plus new issues during the preceding year.

Reinsurance: Both property and casualty and life operations assume and cede insurance from and to other insurers. Reinsurance arrangements are utilized to limit maximum loss, provide greater diversification of risk and minimize exposures on larger risks. The ceding of insurance does not discharge the primary liability of the original insurer. It is the practice of insurers to treat the portion of the risks which have been reinsured with other companies as though they were not risks for which the original insurer is liable.

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Competition: All aspects of the insurance business of CNA are highly competitive. CNA competes with a large number of stock and mutual insurance companies and other entities for both producers and customers. CNA is the 15th largest multiple-line insurance group in the United States based on combined premium volume for 1978. Based on premiums written in 1978, Casualty is ranked 17th among 2,900 companies writing property and casualty insurance. Assurance is ranked 17th among 1,800 life insurance companies, based on premium volume in 1978.

Regulation: The insurance subsidiaries of CNA are subject to insurance regulation and supervision in each jurisdiction in which they do business. The method of such regulation varies, but generally regulation has been delegated to state insurance commissioners who are granted broad administrative powers relating to the licensing of insurers and their agents, the nature of and limitations on investments, approval of policy forms, reserve requirements and trade practices. In addition to the foregoing types of regulation, many classes of property-casualty insurance are subject to rate regulations which require that rates not be excessive, inadequate or unfairly discriminatory.

Insurance holding company laws of several states grant additional powers to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information, and to regulate certain transactions with affiliates. Generally, the declaration of dividends by an insurance company subsidiary to its parent in excess of specified minimum amounts is subject to regulatory approvals. In addition, material intercompany transactions involving insurance company subsidiaries may also be subject to regulatory approvals.

Properties: CNA Plaza, owned by Assurance, is a 1,097,000 square foot office complex located at 333 S. Wabash, Chicago, Illinois. The forty-five story office building serves as the Home Office for CNA, Casualty and Assurance. CNA Plaza and the adjacent building (a 454,000 square foot building located at 55 E. Jackson Blvd.) are partially constructed on ground leased for periods of 99 years. Nearly 70% of the adjacent building is rented to non-affiliates.

CNA maintains four regional offices and thirty-one branch offices in major cities throughout the United States. All of such office space is leased except for offices located in two CNA owned buildings.

CONSUMER FINANCE

General, in the course of its consumer finance business, makes direct installment loans to individuals, purchases sales finance contracts from merchants, and acquires automobile finance contracts from automobile dealers. Direct installment loans (personal loans) account for the largest portion of the business and are extended directly to individuals and families for the purchase of goods for the home, payment of medical bills, tuition, vacation, and other personal needs. In connection with its financing activities, General, through a wholly-owned subsidiary, Mid-States Life Insurance Company of America, reinsures credit life and disability insurance purchased by its customers. Fire and property insurance also is offered to insure collateral on secured loans made to customers.

The consumer finance business is financed by General's capital and issuance by it of long-term notes and commercial paper and short-term borrowings under lines of credit with commercial banks.

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The following table sets forth supplemental data relating to the consumer finance business:

	Years Ended December 31.				
	1979	1978	1977	1976	1975
Personal Loans					
Receivables outstanding (in millions)	$462.9	$434.0	$401.6	$367.5	$353.5
Number of accounts outstanding (in thousands)	442.2	444.8	430.6	416.9	427.2
Average outstanding loan	$1,047	$ 976	$ 933	$ 882	$ 827
Volume (in millions)	$427.4	$413.5	$402.6	$373.8	$329.4
Average new loans	$1,249	$1,130	$1,065	$1,010	$ 964
Sales Finance Contracts					
Receivables outstanding (in millions)	$ 39.8	$ 35.6	$ 27.8	$ 20.7	$ 16.6
Number of accounts outstanding (in thousands)	83.4	77.1	60.9	48.9	44.5
Average outstanding contract	$ 477	$ 462	$ 456	$ 424	$ 374
Volume (in millions)	$ 56.6	$ 52.5	$ 41.4	$ 31.3	$ 22.2
Average new contract	$ 631	$ 591	$ 572	$ 534	$ 488
Automobile Loans					
Receivables outstanding (in millions)	$ 71.4	$ 59.2	$ 46.7	$ 38.0	$ 40.8
Number of accounts outstanding (in thousands)	23.3	22.1	19.8	18.2	23.0
Average outstanding loan	$3,065	$2,677	$2,364	$2,088	$1,772
Volume (in millions)	$ 64.5	$ 60.3	$ 47.2	$ 36.2	$ 33.0
Average new loan	$4,273	$3,851	$3,418	$3,299	$3,076
Other Data					
Number of branch offices	528	528	521	508	504
Insurance premiums and commissions (in millions)	$ 28.3	$ 23.4	$ 21.3	$ 20.1	$ 20.3
Average Interest Rates on Borrowings					
Short-term	10.6%	7.2%	5.3%	5.5%	7.2%
Long-term	8.8%	8.4%	7.7%	7.8%	7.6%
All debt	9.5%	8.1%	7.1%	6.7%	7.3%

Personal loans receivable outstanding and volume information is net, after deducting unearned finance charges. Outstanding and volume information on sales finance and automobile contracts is on a gross basis, including unearned finance charges.

Competition: The consumer finance business is highly competitive. A large number of competitors, ranging from small single office businesses to large nationwide institutions, are engaged in the industry. Companies that finance the sale of their own merchandise, banks, savings and loan associations, credit unions, as well as a large number of other finance companies are competitors of General. General is ranked 13th among the largest finance companies in the United States measured by receivables outstanding at December 31, 1978.

Regulation: General and its consumer finance and personal loan companies are subject to regulation by the states in which they operate, including regulation of maximum rates of interest which may be charged. General's consumer credit transactions and credit advertising are subject to the Federal Consumer Protection Act and the Equal Credit Opportunity Act.

Properties: General leases its home office building at 1301 Central Avenue in Evanston, Illinois and conducts consumer finance activities through 528 offices, all of which are leased, in 26 states.

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LORILLARD DIVISION

Sales of cigarettes account for approximately 97% of the net sales of the Lorillard division ("Lorillard"). The principal cigarette brand names of Lorillard are Kent, Golden Lights, Triumph, Newport, True and Old Gold. Other tobacco products include little cigars, small cigars and chewing tobacco. Sales of "low tar" cigarette brands have increased since 1975 from approximately 20% of all cigarettes sold by Lorillard to approximately 80% in 1979.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for chewing tobacco, radio and television. Sales promotion activities are conducted by distribution of samples and store coupons, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast anti-smoking messages and the Federal Communications Commission has determined that the "fairness doctrine," requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues creates no right to reply to such messages. Federal law requires that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health." Lorillard and the other cigarette manufacturers have agreed, pursuant to consent orders entered into with the Federal Trade Commission (Commission) to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner (see Item 5—"Legal Proceedings—Lorillard").

Several states, counties and municipalities, and federal and state agencies have enacted or are considering legislation and regulations intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places, and to prohibit or restrict the sampling of cigarettes in public places. From time to time, bills have been introduced in Congress, among other things, to end or limit price supports for leaf tobacco; to provide that cigarette advertising is not a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Commission to promulgate standards establishing maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; and to impose an additional excise tax on cigarettes with proceeds to be used for health research.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets, and through chain store organizations and vending machine operators, many of whom purchase their requirements directly. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco, burley tobacco and Maryland tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions. Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and Greece and uses seed leaf tobacco, grown mostly in Wisconsin, Ohio, Pennsylvania and Connecticut, for use in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives. In addition, Lorillard purchases substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

Due to the varying size and quality of annual crops and other economic factors, tobacco prices have in the past been subject to wide fluctuations. Among economic factors are federal government control of acreage and poundage in the flue-cured producing areas, and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1979, the average auction price per pound for flue-cured tobacco increased from a low of

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approximately 72 cents to a high of approximately $1.40, or 94.6%. During this period, the average auction price per pound for burley increased from a low of approximately 72.2 cents in 1970 to a high of approximately $1.45 in 1979, or 101%. The prices paid by Lorillard increased with such trend. During 1979, Lorillard increased the wholesale price of its cigarettes by $1.10 per thousand. Effective January 1980 such prices were increased by $.75 per thousand.

Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See *Note 1* to the Consolidated Financial Statements for inventory costing methods.

Taxes: The prices of cigarettes include Federal excise tax at the rate of $4.00 per thousand. Excise taxes on cigarettes, which are levied upon and paid by the distributors, are also in effect in the fifty states and the District of Columbia. Such taxes, including those imposed by many municipal taxing authorities, generally range from 2 cents to 23 cents per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, wrapping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina, and Louisville, Kentucky. The Greensboro plant, devoted exclusively to the manufacture of cigarettes, is located on approximately 79 acres and contains approximately 786,600 square feet. Additional plant space totaling approximately 156,000 square feet is presently under construction at Greensboro, which includes a single story warehouse containing approximately 34,000 square feet and a tobacco processing building containing approximately 122,000 square feet. The Louisville plant, which consists of multi-storied buildings totaling about 800,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 2,000,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Lexington, Kentucky; Lancaster, Pennsylvania; and Westby and Stoughton, Wisconsin. A modern research facility containing approximately 82,000 square feet is located at Greensboro. Lorillard leases executive offices at 666 Fifth Avenue, New York, New York 10019.

Competition: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total taxable factory removals of all cigarettes manufactured in the United States and total taxable factory removals of all cigarettes manufactured by Lorillard, indicates the relative position of Lorillard in the industry:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry
1975	588,345,000	46,931,000	8.0%
1976	617,892,000	47,697,000	7.7%**
1977	592,006,000	52,604,000	8.9%**
1978	614,195,000	54,558,000	8.9%**
1979	613,800,000	58,927,000	9.6%**

* Source: Reports and bulletins of the Internal Revenue Service.

** The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1979, 1978, 1977, and 1976 Lorillard's share of the domestic market was 9.7%, 9.1%, 8.8% and 8.1%, respectively, based on estimated cigarette output by company.

On the basis of information currently available, Lorillard ranks fifth among the major producers of tobacco products in the United States.

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HOTEL DIVISION

The Company presently operates 15 hotels and motor hotels, consisting of four hotels and two motor hotels in New York City; two hotels in London, England; one hotel in each of Washington, D.C. and Dallas, Texas; three hotels in Canada (Quebec City, Montreal and Toronto) and resort hotels in Monte Carlo, Monaco, and Paradise Island, Nassau, the Bahamas. The Company is actively engaged in seeking new sites in the United States, Europe and other areas. The Company enters into management agreements and other arrangements for hotels as suitable locations are selected.

The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $62,188,000, at interest rates ranging from 5.5% to 8.05%, and maturing between 1981 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $60,778,000, at interest rates ranging from 5% to 9.5%.

The following are the hotel properties currently operated by the Company. The number of rooms in a hotel varies from time to time. All numbers of rooms in the following table are as of December 31, 1979.

Name of Hotel	Location	Type	Number of Rooms	Date Opened	Owned, Leased or Managed
Anatole	Dallas, Texas	Luxury Hotel	900	1979	Mgmt. Contract
Drake	New York, New York	Luxury Hotel	642	1926*	Owned
Howard Johnson's Motor Lodge**	New York, New York	Motor Hotel	300	1962	Leased Land
L'Enfant Plaza	Washington, D.C.	Luxury Hotel	372	1973	Mgmt. Contract
La Cité	Montreal, Canada	Luxury Hotel	481	1976	Mgmt. Contract
Le Concorde	Quebec City, Canada	Luxury Hotel	434	1974	Mgmt. Contract
Montcalm	London, England	Luxury Hotel	112	1973*	Leased
Monte Carlo	Monte Carlo, Monaco	Resort Hotel	640	1975	Leased
Paradise Island Hotel and Villas	Paradise Island, Nassau, the Bahamas	Resort Hotel	500	1967	Leased
Ramada Inn**	New York, New York	Motor Hotel	368	1962	Owned
Regency	New York, New York	Luxury Hotel	496	1963	Leased Land
Summit	New York, New York	First Class Hotel	781	1961	Leased Land
The Churchill	London, England	Luxury Hotel	489	1970	Leased
Warwick***	New York, New York	Luxury Hotel	504	1926*	Owned
Westbury	Toronto, Canada	Luxury Hotel	546	1956*	Leased

* The Drake Hotel has been owned by the Company since 1964 and the Warwick Hotel since 1965. Rooms shown for the Drake Hotel include 185 rooms in a new wing opened in 1962. The leases for the Montcalm and Westbury Hotels were acquired in 1977 and 1978, respectively.

** Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for use of the respective trade names, trademarks and other rights.

*** On February 27, 1980, the Company entered into an agreement for sale of the Warwick Hotel. The closing is scheduled to occur on May 1, 1980.

The Company's hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses. The hotel in Monte Carlo contains a casino.

The Company has leased to a joint venture the Sheraton Centre and the Sheraton City Squire Inn, in New York City, for terms expiring in 2002 and 2000, respectively. The leases, which are guaranteed by American Airlines, Inc. and Sheraton Corporation, provide for payment of fixed aggregate annual rental and a percentage rental with provisions for maximum fixed annual and percentage rents.

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Competition from other hotels, motor hotels and inns, including facilities owned by local interests and by national and international chains, is vigorous in all areas in which the Company operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. As reported by "Institutions," a trade publication, the Company's hotel division ranked 24th among the world's largest hotel organizations at the end of 1978. Because of the competitive nature of the industry, hotel and motor hotel operations must make continuing expenditures for updating, refurnishing and repairs and maintenance, in order to prevent competitive obsolescence.

THEATRE DIVISION

The Company's theatres exhibit feature motion pictures and, occasionally, accompanying short subjects, which are licensed for exhibition by film distributors.

The Company operates 128 motion picture theatre screens located in 26 cities or towns in 9 states. The 128 screens are contained in 59 facilities, of which 19 are owned and 40 are leased. All are conventional theatres. The theatres operated vary in size and include suburban theatres and large, deluxe "showcase" theatres.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of films. In general, the selection of films is determined by community preference, availability and terms. Films are generally licensed on a picture by picture and theatre by theatre basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy, ice cream products and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales.

In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The theatres owned by the Company, some of which are also commercial properties, are subject to mortgage liens securing indebtedness aggregating approximately $3,517,000 at December 31, 1979, bearing interest rates ranging from 5¼% to 9⅜%, and maturing between 1980 and 1993. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $6,718,000, at interest rates ranging from 5¼% to 9%.

During the year ended December 31, 1979, the Company acquired or completed construction of two facilities with a total of six screens in New York City and Indianapolis, Indiana. In addition, three existing theatres were acquired in Queens, New York which have single screen auditoriums, and operation of six single screen theatres was discontinued.

The business of motion picture exhibition is highly competitive. The Company is one of many theatre chains in the United States. The Company operates theatres in certain areas of the country which are heavily saturated with theatres of various national and local exhibitors. The Company faces intense competition from locally significant competitors in obtaining quality films. (See Item 3—"Legal Proceedings—Theatres"). In addition to competition from other motion picture theatre operators, the Company's film exhibition business is confronted with other forms of competition in the entertainment field, among which are television and other forms of home entertainment, and films provided for viewing by hotel guests through hotel room television sets. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

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BULOVA WATCH COMPANY, INC.

Through a tender offer which expired in March 1979 and other purchases, the Company has acquired approximately 93% of the voting securities of Bulova. Bulova's consumer products segment manufactures and sells watches and clocks for consumer use, timepiece parts and power cells. Its industrial and defense products segment manufactures and sells fuzes for national defense and frequency control devices. The acquisition of control of Bulova by the Company was effective for accounting purposes as of March 31, 1979.

Consumer Products: Bulova manufactures and sells quartz-crystal watches with analog display as well as jeweled-lever watches. Watches are sold by Bulova principally in the United States, Canada and Italy. In most other areas of the world, Bulova has appointed an exclusive distributor for the sale of watches bearing Bulova's trademarks and has granted to such distributor a license to sell watches manufactured by others under Bulova's trademark.

The consumer products business is seasonal, with the greatest sales coming in the third and fourth quarters in expectation of the Christmas selling season. The consumer products business is intensely competitive. The principal methods of competition are price, aftersale service, warranty, product performance and styling.

Industrial and Defense Products: The principal products of this segment are fuzes for national defense sold to the United States Government. These sales accounted for approximately 68% of the sales of this segment and approximately 13% of Bulova's total sales in 1979. Industrial products consist primarily of frequency control devices and other electronic components sold to electronic and other manufacturers.

The backlog of the industrial and defense segment amounted to $32.3 million as of December 31, 1979, compared with $33.9 million as of March 31, 1979, the end of the last fiscal year. Of the current backlog, $2.3 million is not reasonably expected to be filled during the current fiscal year.

The industrial and defense products business is intensely competitive. The principal methods of competition are price and product performance. Defense business represents mostly competitive fixed-price contracts awarded by the United States Government.

Patents, Research and Development: Bulova has various United States and foreign patents expiring between 1980 and 1995 and various pending patent applications. For the nine months ended December 31, 1979, and the fiscal year ended March 31, 1979, Bulova spent approximately $1.8 million and $1.9 million, respectively, on research activities relating to the development of new and improved consumer products.

Properties: Bulova's principal executive offices are located in a 385,000 square foot watch casing plant in Jackson Heights, New York. Bulova's other principal properties include two plants for the manufacture of watch cases in Providence, Rhode Island aggregating approximately 150,000 square feet; two plants for the manufacture of watch movements in Bienne, Switzerland aggregating approximately 135,000 square feet and other plants in Queens, New York (electronic products); Toronto, Canada (watch and clock assembly); the United States Virgin Islands (watch movement assembly) and Villers-le-lac, France (tool, die and watch parts manufacture). All the foregoing plants are owned by Bulova or its subsidiaries. In addition, Bulova and its subsidiaries lease two plants in Queens, New York (electronic products, approximately 85,000 square feet, 90% of which is unused; and clock assembly and warehousing, 103,000 square feet) and one plant in Valley Stream, New York (defense products manufacture, 133,000 square feet). The Valley Stream plant is owned by Bulova's Employees' Retirement Plan Trust.

OTHER INTERESTS

The Company owns two high-rise combination commercial and apartment buildings, the land under an office building containing approximately 2,000,000 square feet of office and commercial space, and a commercial and office building, in New York City, and a commercial and office building in Los Angeles, California. The foregoing properties are subject to mortgages as of December 31, 1979, aggregating approximately $16,929,000, at interest rates of 5.5% to 7.5%, maturing between 1980 and 2010.

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EMPLOYEE RELATIONS

The Company, exclusive of CNA and Bulova and their respective subsidiaries, employed approximately 11,200 persons at December 31, 1979. A substantial number of such personnel are represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed. The Company considers its employee relations to be satisfactory.

The Company maintains a retirement plan, group life, disability and health insurance program, and a savings plan for its salaried employees. The Company has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The Company has a retirement plan, a deferred profit sharing plan and other benefits for the hourly paid employees of the Lorillard division who are represented by the foregoing unions.

CNA and its subsidiaries employ approximately 14,000 persons and have experienced satisfactory labor relations, with no work stoppages due to labor disagreements. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees.

Bulova and its subsidiaries employ approximately 4,200 persons, approximately 1,850 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all of its employees.

WAGE AND PRICE STABILIZATION

The Company is complying with the Voluntary Standards of the Council on Wage and Price Stability as stated in the rules and regulations of that agency. Although the ultimate effect of the program on the economy and the Company's business is uncertain, this compliance is not expected to have a material effect on current operating results of the Company.

Item 2. *Summary of Operations.*

The summary of operations, related earnings and dividend per share data, and Management's Discussion and Analysis of the Summary of Operations, appearing on Pages 10 through 16 of the accompanying 1979 Annual Report to Shareholders are furnished in response to the requirement of this item. (See footnote on Page 1.) The report of Touche Ross & Co., independent public accountants, with reference to their examinations for the years ended December 31, 1979 and 1978, covering the Statements of Consolidated Income is included elsewhere. Other financial statements and related notes are furnished under Item 12 (a).

Item 3. *Properties.*

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1.

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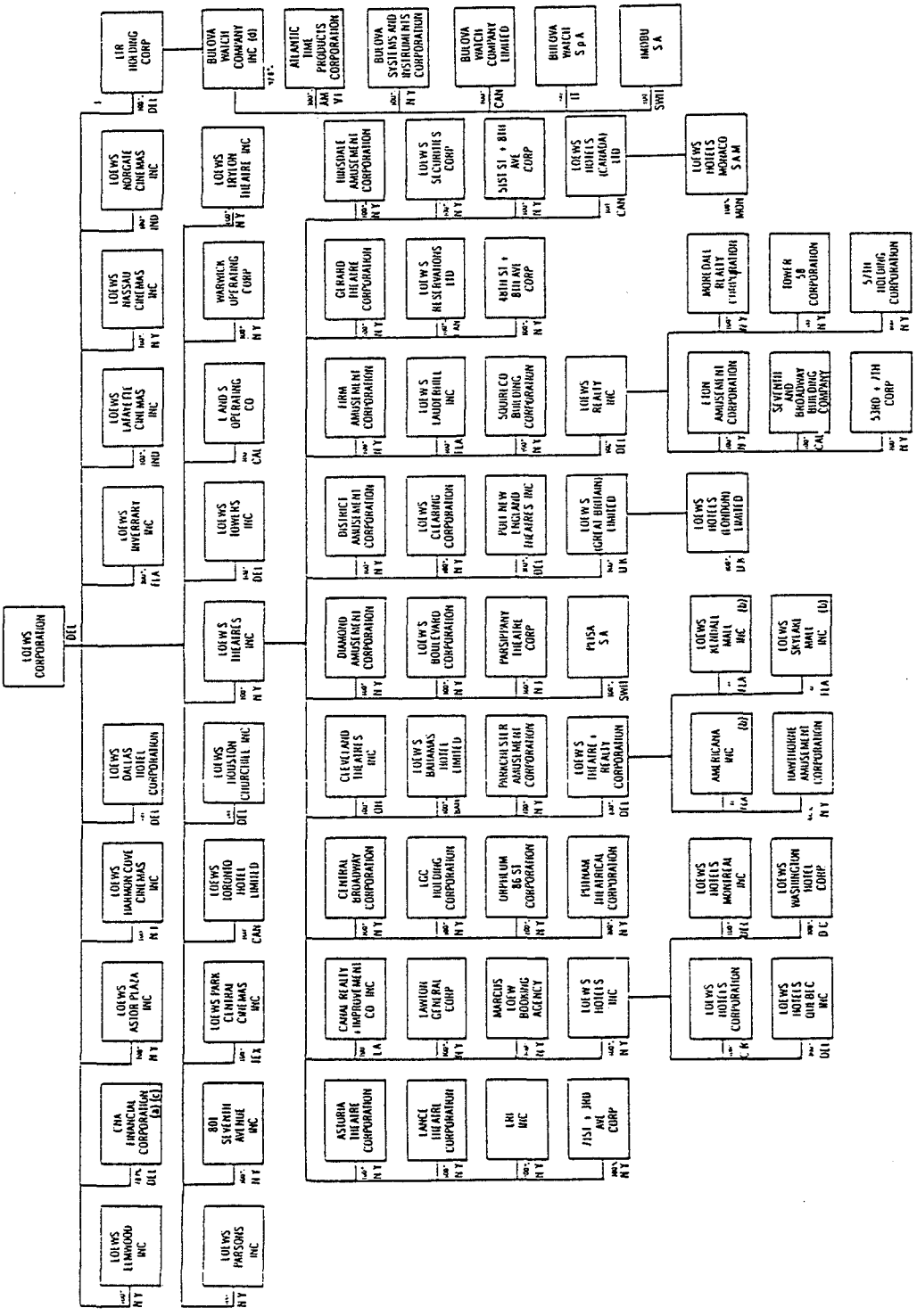
Item 4. *Parents and Subsidiaries.*



Note. All subsidiaries, unless otherwise noted, are included in the consolidated financial statements filed herewith. This chart omits a number of subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary

(a) For information relating to the CNA subsidiaries, see the following page.

(b) Companies not included in the consolidated financial statements and for which no statements are filed. 50% or less of the capital stock of these companies is owned directly or indirectly by Registrant, and all such companies considered in the aggregate do not constitute a significant subsidiary

(c) CNA FINANCIAL CORPORATION Ownership 82.4% @ 1/31/80

(d) BULOVA WATCH COMPANY, INC.: Ownership 93% @ 1/31/80

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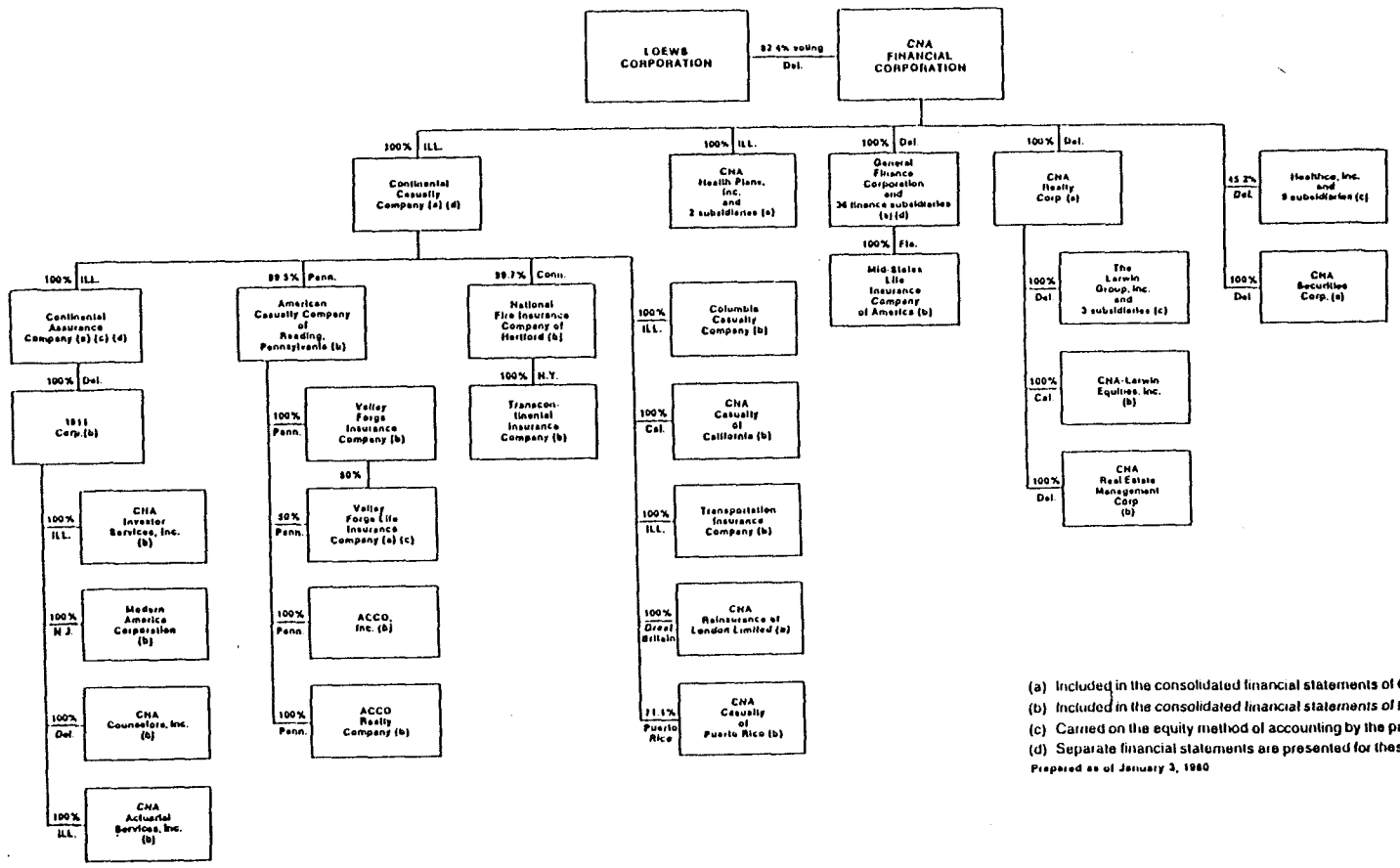
CNA FINANCIAL CORPORATION
CORPORATE CHART



(a) Included in the consolidated financial statements of CNA Financial Corporation
(b) Included in the consolidated financial statements of the company's immediate parent
(c) Carried on the equity method of accounting by the parent company
(d) Separate financial statements are presented for these companies

Prepared as of January 3, 1980

15

92749221

Item 5. *Legal Proceedings.*

Lorillard: By decree dated November 16, 1911 of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America v. The American Tobacco Company and others*, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (1) making transfers of its property to any other of those corporations, (2) making any agreements of types deemed anti-competitive with any other of those corporations, (3) holding stock in a corporation whose stock is also held by another of those corporations and (4) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

In October 1975 the United States, on behalf of the Federal Trade Commission (the "Commission"), commenced an action in the United States District Court for the District of Columbia against Lorillard and the five other major cigarette manufacturers, alleging concerted violation of consent orders entered into with the Commission relating to inclusion of the health warning statement appearing on cigarette packages, in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes. The action seeks penalties in unspecified amounts and injunctive relief, including creation of a trust fund to remedy alleged failure to warn the public of the hazard of smoking. The action has been transferred to the United States District Court for the Southern District of New York. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to the action. Lorillard and four of the other major cigarette manufacturers have reached substantial agreement on terms of a proposed settlement. The settlement, subject to Commission approval, presently provides that Lorillard's share will amount to $100,000.

In August 1977 the Commission instituted an action in the United States District Court for the District of Columbia seeking enforcement of subpoenas served in May 1976 on Lorillard, the five other major cigarette manufacturers, two industry groups and various advertising agencies. The subpoenas sought production of documents relating to Lorillard's and the other companies' advertising and marketing activities since 1964 in connection with a Commission investigation of alleged unfair trade practices in the cigarette industry. Lorillard filed an answer asserting invalidity and unenforceability of the subpoenas on various grounds. Lorillard and the other respondents also requested discovery and moved to transfer the action to the Southern District of New York. An order transferring the action to the Southern District of New York was vacated by the United States Court of Appeals for the District of Columbia in April 1978. In January 1979 the District Court for the District of Columbia denied discovery and held the subpoenas valid and enforceable. Lorillard and the other respondents have appealed this decision to the Court of Appeals for the District of Columbia. A decision is presently pending.

Theatres: Under the Consent Judgment entered in the United States District Court for the Southern District of New York in 1952, in *United States v. Loew's Incorporated, et al.*, the Company was prohibited from, among other things, engaging in the distribution of motion pictures and acquiring theatres, except upon a showing to the court that any such acquisition would not unduly restrain competition. On February 27, 1980 the Consent Judgment was modified (i) to permit the Company to acquire theatres without court approval, with the exception of certain specified markets where such approval will continue to be required for acquisition of certain existing theatres until February 27, 1990, and (ii) to permit the Company to engage in the distribution of motion pictures subject to certain restrictions imposed on eight motion picture distributors by various decrees entered in *United States v. Paramount et al.* and *United States v. Loew's Incorporated et al.*, provided that motion pictures produced or distributed by the Company may not be exhibited in the Company's theatres. Among other things, such decrees provide that pictures of such distributors must be offered and licensed to exhibitors picture by picture and theatre by theatre.

Other: In July 1978 an action was commenced in the United States District Court for the Eastern District of New York by the Federal Deposit Insurance Corporation (FDIC) as Receiver of Franklin National Bank (FNB), against Laurence A. Tisch, Chairman of the Board and Chief Executive Officer of the Company, Tisch Hotels, Inc., the Company, and two of its subsidiaries, Loew's Theatres, Inc. (Theatres) and Lawton General Corp. (Lawton). The complaint essentially sets forth three claims: (1) that Mr. Tisch misused his position as a director of FNB and its parent, Franklin New York Corporation

92749222

(FNYC) and "inside information" to obtain a premium for defendants. Theatres and Lawton, on the sale of 1,000,000 shares of FNYC common stock to Fasco International Holding, S.A. (Fasco), a company then controlled by Michele Sindona (Sindona); (2) that Mr. Tisch misused his position as a director of FNB and FNYC to "facilitate" various steps whereby Sindona and his associates were placed in positions of management control of FNB and, particularly, its international business, as a result of which Sindona caused FNB to suffer substantial damages; and (3) that Mr. Tisch and the defendant corporations owed a fiduciary duty to FNYC and FNB which was breached by alleged failure to make proper investigation of Sindona. Plaintiff FDIC seeks (a) judgment in the amount of the asserted premiums obtained in the sale of FNYC shares; (b) judgment in an amount to be determined with respect to asserted facilitation of transfer of management control over FNB's international business; and (c) judgment in an amount to be determined with respect to damage due to the exercise of management control by Sindona and Fasco, as well as imposition of a constructive trust upon all proceeds allegedly derived from breach of fiduciary duty owed to FNB. The defendants have denied the material allegations of the complaint and asserted numerous affirmative defenses. The action is presently in a preliminary discovery stage.

In August 1978 an action was commenced in the Supreme Court of the State of New York, County of New York, by Sol Neil Corbin as Trustee in Bankruptcy of FNYC, against the same defendants named in the action described above. The complaint alleges essentially the same claims as are alleged in the action by the FDIC described above. Plaintiff Trustee seeks (1) judgment in the amount of all profits and benefits derived from the alleged use of inside information in the sale of 1,000,000 shares of FNYC common stock; (2) damages of not less than $45,000,000 with respect to the alleged failure to investigate Sindona's suitability; (3) judgment for any premium received from the alleged sale of FNYC's corporate offices and management control of FNB's international banking operations; and (4) judgment in the amount of any premium received for allegedly placing Sindona in a position to utilize FNYC's assets for his own benefit. The defendants have denied the material allegations of the complaint and asserted numerous affirmative defenses. The action is presently in a preliminary discovery stage.

Also, in July 1978, an action was commenced by Sindona in the United States District Court for the Southern District of New York against the same defendants named in the two actions described above. The complaint alleges violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and common law fraud, supposedly arising out of non-disclosure and misrepresentation by the defendants in connection with an agreement dated July 11, 1972 whereby Sindona, allegedly acting through Fasco, purchased from Theatres and Lawton, 1,000,000 shares of FNYC common stock at an aggregate cost of $40,000,000. Plaintiff seeks (i) compensatory damages in the amount of $40,400,000, or rescission of the purchase contract and (ii) punitive damages in the amount of $80,000,000. Defendants have denied the material allegations of the complaint and asserted numerous affirmative defenses and a counterclaim for recovery of all damages, if any, assessed in the action brought by the FDIC described above. In June 1979, the District Court dismissed this action with prejudice on the ground that Sindona could not maintain the action while refusing to answer questions and to produce documents on the basis of his assertion of the Constitutional privilege against self-incrimination. The dismissal was affirmed by the United States Court of Appeals for the Second Circuit in October 1979. On February 29, 1980, Sindona filed a petition for a writ of certiorari in the Supreme Court seeking reversal of the Second Circuit's decision.

As reported in the Company's Form 8-K for the month of January 1977, the Company had voluntarily disclosed that during the period 1971 through 1976 it made certain questionable foreign payments in the amount of approximately $1.6 million and improperly reimbursed certain domestic political contributions made by certain executives of the Company in the amount of approximately $62,100. The Securities and Exchange Commission conducted an informal review of materials and information voluntarily disclosed by the Company and, in mid-1977, indicated that its staff was no longer investigating the Company in connection with such payments. An investigation of such payments by the Internal Revenue Service (IRS) regarding possible violations of the tax laws was concluded in 1978 with respect to the Company's tax years ended August 31, 1971 and 1972. In connection with its audit of the Company's Federal income tax returns for such years, the IRS has proposed 5% civil negligence penalties aggregating approximately $1.3 million because of the tax treatment of such payments. The Company has filed a protest with respect to the assessment of such penalties. It is also probable that the IRS will seek to

92749223

impose the 5% civil negligence penalty in connection with the audit of the Company's tax returns for later years through 1974. If the IRS is successful, the civil negligence penalty would apply to the entire underpayment of the Company's taxes for the years involved even though only part of the underpayment is determined to be the result of negligence. The Company is not able, at this time, to predict the outcome of the IRS's attempt to impose the civil negligence penalty.

Item 6. *Increases and Decreases in Outstanding Securities and Indebtedness.*

(a) Changes in outstanding equity securities:

Common Stock ($1.00 par value):	
Number of shares outstanding as of December 31, 1978	11,466,582
Changes due to:	
Issuance under the Company's Qualified Stock Option Plan	73,165
Exercise of Warrants	794,806
Purchased for Treasury during the year	(442,500)
Number of shares outstanding as of December 31, 1979	11,892,053

(b) and (c) Changes in outstanding debt securities and other debt:

Outstanding debt—December 31, 1978	$11,523,000
Changes due to:	
Issuance of notes payable—10% due January 1, 2002—previously reported in Form 10-Q for the quarter ended March 31, 1979	25,000,000
Issuance of promissory note (see below)	10,000,000
Current maturities	(1,649,000)
Outstanding debt—December 31, 1979	$44,874,000

On November 21, 1979 the Company borrowed $10 million from The Chase Manhattan Bank, N.A. ("Chase"). The loan bears interest at the rate of 10⅜% per annum and is payable on November 21, 1984. Pending execution of a formal loan agreement, the Company has issued to Chase its 10⅜% demand promissory note in the principal amount of $10 million. The proceeds of the loan have been added to the Company's working capital and are available for general corporate purposes. The note issued by the Company in connection therewith has not been registered under the Securities Act of 1933, as amended, since the indebtedness was incurred and such note was issued in a commercial loan transaction.

Item 7. *Changes in Securities and Changes in Security for Registered Securities.*

None.

Item 8. *Defaults Upon Senior Securities.*

None.

Item 9. *Approximate Number of Equity Security Holders.*

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	Approximately 8,565 as of March 4, 1980

Item 10. *Submission of Matters to a Vote of Security Holders.*

Inapplicable.

Item 11. *Indemnification of Directors and Officers.*

Unchanged from previous Form 10-K filed for the four months ended December 31, 1974.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices Held	Age	First Became Officer
Kenneth Abrams	Vice President	46	1975
Gerald Diamond	Vice President	64	1972
Robert J. Hausman	Vice President	56	1973
Barry Hirsch	Vice President, Secretary and General Counsel	46	1971
Herbert C. Hofmann	Vice President	37	1979
Harry Katz	Controller	53	1974
Bernard Myerson	Executive Vice President	62	1963
Roy E. Posner	Vice President—Financial Services	46	1973
Arthur J. Raporte	Vice President	62	1960
Jacob Stillman	Treasurer	63	1958
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	57	1959
Preston R. Tisch	President and Chief Operating Officer	53	1960

The Messrs. Tisch are brothers. None of the other officers or directors of the Company is related to any other. All executive officers of the Company have been engaged actively and continuously in the business of the Company and its predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

Item 12. *Financial Statements, Exhibits Filed, and Reports on Form 8-K.*

The following financial statements, schedules and exhibits are filed as part of this report:

(a)1 Financial Statements

	Page Number
LOEWS CORPORATION AND SUBSIDIARIES:	
See accompanying Index to Financial Statements	L- 1
CNA FINANCIAL CORPORATION (CNA):	
Report of Independent Certified Public Accountants	C- 1
Consolidated Balance Sheet—December 31, 1979 and 1978	C- 2
Statement of Consolidated Operations—For the years ended December 31, 1979 and 1978	C- 3
Statement of Consolidated Stockholders' Equity—For the years ended December 31, 1979 and 1978	C- 4
Statement of Changes in Consolidated Financial Position—For the years ended December 31, 1979 and 1978	C- 5
Balance Sheet (Parent Company)—December 31, 1979 and 1978	C- 6
Statement of Operations (Parent Company)—For the years ended December 31, 1979 and 1978	C- 7
Statement of Changes in Financial Position (Parent Company)—For the years ended December 31, 1979 and 1978	C- 8
Notes to Financial Statements	C- 9

92749225

	Page Number
CONTINENTAL CASUALTY COMPANY (Casualty):	
Consolidated Balance Sheet—December 31, 1979 and 1978	C-21
Statement of Consolidated Operations—For the years ended December 31, 1979 and 1978	C-22
Statement of Consolidated Stockholder's Equity—For the years ended December 31, 1979 and 1978	C-22
Statement of Changes in Consolidated Financial Position—For the years ended December 31, 1979 and 1978	C-23
Notes to Financial Statements	C-24
CONTINENTAL ASSURANCE COMPANY (Assurance):	
Consolidated Balance Sheet—December 31, 1979 and 1978	C-34
Statement of Consolidated Operations—For the years ended December 31, 1979 and 1978	C-35
Statement of Consolidated Stockholder's Equity—For the years ended December 31, 1979 and 1978	C-35
Statement of Changes in Consolidated Financial Position—For the years ended December 31, 1979 and 1978	C-36
Notes to Financial Statements	C-37
GENERAL FINANCE CORPORATION (General):	
Consolidated Balance Sheet—December 31, 1979 and 1978	C-48
Statement of Consolidated Operations—For the years ended December 31, 1979 and 1978	C-49
Statement of Changes in Consolidated Financial Position—For the years ended December 31, 1979 and 1978	C-50
Notes to Financial Statements	C-51
Schedules:	
LOEWS CORPORATION AND SUBSIDIARIES:	
See accompanying Index to Financial Statements	L- 1
CNA FINANCIAL CORPORATION (CNA):	
Information required by Schedules III, IV, IX, X, and XIII at December 31, 1979 and 1978 or for the years then ended is included in the Financial Statements or Notes to Financial Statements as follows:	
Schedules III, IV and X—Investment in, Equity in Earnings of, and Dividends Received from Affiliates and Other Persons —Note K, Balance Sheet and Statement of Operations (Parent Company)	C-18
Schedule IX—Bonds, Mortgages and Similar Debt—Note C	C-12
Schedule XIII—Capital Shares—Note D	C-13
Additional Schedules filed herein as follows:	
Schedule I—Summary of Investments	C-19
Schedule XII—Valuation and Qualifying Accounts and Reserves (Consolidated and Parent Company)	C-20

92749226

	Page Number
Financial Statements of CNA's unconsolidated affiliates are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.	
CONTINENTAL CASUALTY COMPANY (Casualty):	
Additional Schedules filed herein as follows:	
Schedule I—Summary of Investments	C-31
Schedule II—Investment in Unconsolidated Affiliates	C-32
Schedule VII—Premiums, Losses and Claims	C-33
Financial Statements of Casualty's unconsolidated affiliates, other than Assurance, are omitted because all such affiliates considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.	
CONTINENTAL ASSURANCE COMPANY (Assurance):	
Additional Schedules filed herein as follows:	
Schedule I—Summary of Investments	C-44
Schedule IV—Deferred Acquisition Costs	C-45
Schedule VII—Future Policy Benefits and Insurance in Force	C-47
GENERAL FINANCE CORPORATION (General):	
Information required by Schedules IX and XIII at December 31, 1979 and 1978 is included in the Notes to Financial Statements as follows:	
Schedule IX—Bonds, Mortgages and Similar Debt—Note 4	C-54
Schedule XIII—Capital Shares—Notes 5 and 6	C-54
Additional Schedules filed herein as follows:	
Schedule XII—Valuation and Qualifying Accounts and Reserves	C-57
Schedule XVI—Supplementary Income Statement Information.	C-57

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are omitted because of the absence of the conditions under which they are required, or because the information required is set forth in the consolidated financial statements or the accompanying notes.

(a)2 Exhibits:

1. Computation of Earnings per Share Assuming Full Dilution for the Five Years Ended December 31, 1979	L-16
2. Amendment dated July 17, 1979 to the Employment Agreement between Registrant and Mr. Laurence A. Tisch	
3. Amendment dated July 17, 1979 to the Employment Agreement between Registrant and Mr. Preston R. Tisch	

(b) Reports on Form 8-K:

None

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PART II

Information called for by Part II has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

SIGNATURES

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

LOEWS CORPORATION

By _____

(Roy E. Posner, Vice President—
Financial Services)

Dated: March 26, 1980

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PROPERTY OF
LOEWS CORP.
CONTROLLER DEPARTMENT

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the Year Ended December 31, 1980 — Commission File Number 1-6541

LOEWS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-2646102 (I.R.S. Employer Identification No.)
666 Fifth Avenue New York, N.Y. (Address of principal executive offices)	10103 (Zip Code)

(212) 841-1000

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No _____

As at February 27, 1981, 12,821,300 shares of Common Stock of the Registrant were outstanding and the aggregate market value of voting stock held by non-affiliates was approximately $639,800,000.

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DOCUMENTS INCORPORATED BY REFERENCE

PART I	
Item 1. Business (in part)	Pages 8 and 9, and Note 1 to the Consolidated Financial Statements (Inventories) of the 1980 Annual Report to Shareholders.*
PART II	
Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters	Page 1 of the 1980 Annual Report to Shareholders.*
Item 6. Selected Financial Data	Page 1 of the 1980 Annual Report to Shareholders.*
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	Pages 10 to 12 of the 1980 Annual Report to Shareholders.*
Item 8. Financial Statements and Supplementary Data	Pages 14 to 38 of the 1980 Annual Report to Shareholders.*
PART III	
Item 9. Directors and Executive Officers of the Registrant	Proxy Statement to be filed prior to April 30, 1981.
Item 10. Management Remuneration and Transactions	Proxy Statement to be filed prior to April 30, 1981.
PART IV	
Item 11.(a)1 Financial Statements	Pages 14 to 38 of the 1980 Annual Report to Shareholders.*

* The 1980 Annual Report to Shareholders accompanies this report on Form 10-K. Except as indicated above, no other information appearing in the 1980 Annual Report to Shareholders is deemed to be filed as part of this Report on Form 10-K.

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LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON
FORM 10-K FILED WITH THE
SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 1980

PART I

Item No.		Page No.
1	BUSINESS	2
	CNA Financial Corporation	2
	Lorillard Division	7
	Hotel Division	10
	Theatre Division	11
	Bulova Watch Company, Inc.	12
	Other Interests	12
2	PROPERTIES	13
3	LEGAL PROCEEDINGS	13
4	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.	15
	EXECUTIVE OFFICERS	17

PART II

5	MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS	18
6	SELECTED FINANCIAL DATA	18
7	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	18
8	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	18

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

PART IV

11	EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K	18

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PART I

Item 1. Business.

Loews Corporation (hereinafter, together with its subsidiaries, referred to as the "Company" or the "Registrant"), primarily through its subsidiaries, is engaged in the production and sale of cigarettes; the operation of hotels; the exhibition of motion pictures; through its approximately 84% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life) and consumer finance; and through its approximately 94% ownership of Bulova Watch Company, Inc. ("Bulova"), the production and sale of watches and other timing devices.

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained on pages 8 and 9 in the accompanying 1980 Annual Report to Shareholders.

CNA FINANCIAL CORPORATION

On January 3, 1980, the Company converted its holdings of CNA Series C and D preferred stock into CNA common stock. The conversion of this preferred stock together with additional purchases of CNA common stock has increased the Company's current ownership to approximately 84% of the outstanding voting securities of CNA, and requires the inclusion of CNA and its eligible subsidiaries in the Company's consolidated Federal income tax returns filed for 1980 and subsequent years. The tabular information herein relating to CNA is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisition of CNA shares.

CNA's principal business is insurance. As a multiple-line insurer, CNA underwrites property, casualty, life, and accident and health coverages. CNA's principal market for insurance is the United States. CNA is also engaged in consumer finance which is conducted by General Finance Corporation (General). CNA also has interests in a medical and dental supply company. CNA's foreign operations are not significant in relation to total revenues, operating income, or assets.

CNA's property and casualty insurance operations are conducted by the Property/Casualty Insurance Group (principally Continental Casualty Company, "Casualty") and its life insurance operations are conducted by the Life Insurance Group (principally Continental Assurance Company, "Assurance").

Consolidated revenues, operating income (loss) before income taxes and assets for each major segment of CNA's business are shown below. This summary should be read in conjunction with CNA's consolidated financial statements.

	Years Ended December 31,		
	1980	1979	1978
	(In millions of dollars)		
REVENUES			
Property and casualty—commercial	$1,436.7	$1,283.6	$1,063.4
Property and casualty—personal	214.6	172.1	130.5
Property and Casualty Insurance Group(a)(c)	1,651.3	1,455.7	1,193.9
Life—individual	358.0	355.5	351.7
Life—group	800.5	710.9	664.1
Life Insurance Group(a)(c)	1,158.5	1,066.4	1,015.8
Consumer finance	150.2	139.1	125.1
Other	6.4	12.4	14.4
Total	$2,966.4	$2,673.6	$2,349.2

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	Years Ended December 31,		
	1980	1979	1978
	(In millions of dollars)		
OPERATING INCOME (LOSS) BEFORE INCOME TAX			
Property and casualty—commercial	$ 84.0	$ 122.9	$ 125.7
Property and casualty—personal	(10.2)	8.1	10.4
Property and Casualty Insurance Group (a)(c)	73.8	131.0	136.1
Life—individual	26.8	27.0	27.0
Life—group	2.6	30.3	32.4
Life Insurance Group (a)(c)	29.4	57.3	59.4
Consumer finance (b)	3.7	14.4	17.5
Other (d)	24.5	27.4	23.3
Total	$ 131.4	$ 230.1	$ 236.3
NET OPERATING INCOME (LOSS)			
Property and casualty—commercial	$ 104.7	$ 95.6	$ 72.7
Property and casualty—personal	(3.6)	10.4	5.4
Property and Casualty Insurance Group (c)	101.1	106.0	78.1
Life—individual	17.2	18.8	18.9
Life—group	.8	23.4	25.3
Life Insurance Group (c)	18.0	42.2	44.2
Consumer finance (b)	1.0	6.6	7.9
Other	20.3	24.5	12.0
Total	$ 140.4	$ 179.3	$ 142.2
ASSETS			
Property and casualty—commercial	$3,570.1	$3,486.0	$2,583.1
Property and casualty—personal	517.3	506.4	439.7
Property and Casualty Insurance Group (a)(c)	4,087.4	3,992.4	3,022.8
Life—individual	1,659.3	1,583.4	1,492.9
Life—group	1,903.5	1,719.3	1,546.2
Life Insurance Group (a)(c)	3,562.8	3,302.7	3,039.1
Consumer finance (b)	613.4	597.7	566.4
Other	(48.9)	85.4	35.4
Total	$8,214.7	$7,978.2	$6,663.7

(a) CNA affiliates have a reinsurance agreement under which Continental Casualty Company cedes 85% of its accident and health premiums to Continental Assurance Company. The reinsurance agreement provides for cession of earned premiums, claims and claims expenses based on pro rata participation in the related business and ceding commission is dependent on claim experience. The premium revenue assumed by the Life Insurance Group relating to the CNA reinsurance agreement and the related pre-tax operating income in millions of dollars were:

	1980	1979	1978
Premiums assumed			
Life—individual	$ 67.7	$ 74.0	$ 83.1
Life—group	76.2	72.4	73.9
Total	$143.9	$146.4	$157.0
Pre-tax operating income			
Life—individual	$ 2.0	$ 2.2	$ .9
Life—group	2.3	2.2	3.8
Total	$ 4.3	$ 4.4	$ 4.7

The assets and liabilities related to this business remain with the ceding company.

(b) The operating results and assets of Consumer Finance Group have been adjusted for goodwill of $1,882,000 and for the 1980 credit loss ratio maintenance agreement with CNA of $6,581,000.

(c) Assets and investment income of Insurance Groups have been allocated to business segment classifications on the basis of insurance reserves after attribution of separately identifiable assets and income taxes have been allocated on the basis of taxable operating income of the respective insurance segments. Certain common management expenses absorbed by CNA beginning in 1980 have been reclassified to the operating groups as follows: Property/Casualty Insurance Group—$32,900,000; Life

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Insurance Group—$11,000,000 (excluding $3,600,000 allocated to participating policyholders); and the Consumer Finance Group—$1,000,000.

(d) Other operating income before income tax includes equity to the date of substantial liquidation in CNA Realty Corp.'s unconsolidated affiliates in the amount of $20,800,000 for 1980, $20,100,000 for 1979 and $13,800,000 for 1978.

PROPERTY AND CASUALTY INSURANCE

The Property/Casualty Insurance Group markets commercial and personal lines of property and casualty insurance through approximately 39,000 independent agents and brokers. Personal lines primarily consists of automobile and homeowners insurance. Commercial business includes such lines as workers' compensation, general liability, multiple peril, professional and specialty, and reinsurance.

The following table sets forth supplemental data for the property and casualty business:

	Years Ended December 31,		
	1980	1979	1978
	(In millions of dollars)		
Commercial Premiums Earned			
Workers' compensation	$ 404.2	$ 321.5	$239.1
General liability	232.6	214.2	170.1
Multiple peril	160.1	145.2	124.2
Professional and specialty	174.2	162.8	162.9
Reinsurance	129.5	176.3	156.9
Other	128.0	91.3	73.1
Total premiums earned	$1,228.6	$1,111.3	$926.3
Personal Premiums Earned			
Private passenger	$ 103.3	$ 70.7	$ 55.5
Personal property	72.6	55.3	40.6
Other	17.2	26.3	16.3
Total premiums earned	$ 193.1	$ 152.3	$112.4
Investment Income			
Commercial	$ 208.1	$ 172.3	$137.1
Personal	21.5	19.8	18.1
Total investment income	$ 229.6	$ 192.1	$155.2
Other Data(a)			
Statutory capital and surplus	$ 854.3	$ 614.7	$523.3
Written to surplus ratio	1.7	2.2	2.2
Trade Ratios(a)(b)			
Loss ratio	78.7%	74.8%	71.6%
Expense ratio	27.9	28.5	29.4
Combined ratio (before policyholder dividends)	106.6	103.3	101.0
Policyholder dividend ratio	1.8	2.0	1.0

(a) Other Data and Trade Ratios are on the basis of statutory accounting principles and reflect in 1980 a $121 million capital contribution from CNA and a reduction in operating expenses in the amount of $32.9 million resulting from the discontinuance of general management and administrative expense allocations from CNA.

(b) Trade Ratios are a measure of property and casualty underwriting profitability. The combined ratio is the sum of the loss ratio and the expense ratio. The loss ratio is the percentage of incurred losses to premiums earned. The expense ratio is the percentage of statutory underwriting expenses to premiums written and the policyholder dividend ratio is the ratio of such dividends to premiums earned.

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LIFE INSURANCE

The Life Insurance Group markets individual and group insurance products through approximately 25,000 licensed agents, most of whom are independent contractors, who sell insurance for the Life Insurance Group and for other companies on a commission basis. Individual insurance products are sold to individuals and small businesses. Group insurance products (life, accident and health insurances, and pensions) are sold to employers, employer associations and trusts ranging in size from small local employers to large multi-national corporations.

The following table sets forth supplemental data for the life insurance business:

	Years Ended December 31,		
	1980	1979	1978
	(In millions of dollars)		
Individual Premiums			
Life	$ 178.6	$ 175.4	$ 170.9
Accident and health	84.1	89.5	98.4
Annuities	2.9	4.3	5.2
Total premiums	$ 265.6	$ 269.2	$ 274.5
Group Premiums			
Life	$ 105.4	$ 113.5	$ 107.4
Accident and health	582.6	495.0	457.6
Annuities	10.0	9.1	11.3
Total premiums	$ 698.0	$ 617.6	$ 576.3
Investment and Other Income			
Individual	$ 92.4	$ 86.3	$ 77.2
Group	102.5	93.3	87.8
Total investment and other income	$ 194.9	$ 179.6	$ 165.0
Life Insurance in Force			
Individual	$12,450	$10,023	$ 9,197
Group	16,705	13,253	13,270
Total insurance in force	$29,155	$23,276	$22,467
Other Data (a)			
Statutory capital and surplus	$ 237.5	$ 199.0	$ 176.5
Statutory capital and surplus—percent of total liabilities	7.7%	6.9%	6.6%
Participating policyholders—percent of gross life insurance in force	17.3%	20.3%	20.6%
Lapse ratio—individual life	10.6%	9.6%	9.6%

(a) Other Data is on the basis of statutory accounting principles and reflects a reduction in operating expenses in the amount of $14.6 million in 1980 resulting from the discontinuance of general management and administrative expense allocations from CNA.

The lapse ratio is for terminations after the first year and is calculated on the basis of current year terminations (other than death or maturity) and life insurance in force at the beginning of the year plus new issues during the preceding year.

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Reinsurance: Both Insurance Groups assume and cede insurance from and to other insurers. Reinsurance arrangements are utilized to limit maximum loss, provide greater diversification of risk and minimize exposures on larger risks. The ceding of insurance does not discharge the primary liability of the original insurer. It is the practice of insurers to treat the portion of the risks which have been reinsured with other companies as though they were not risks for which the original insurer is liable.

Competition: All aspects of the insurance business are highly competitive. Both Insurance Groups compete with a large number of stock and mutual insurance companies and other entities for both producers and customers and must continuously allocate resources to refine and improve their present insurance products and services. Based on premiums written in 1979, Casualty is ranked 17th among 2,900 companies writing property and casualty insurance in the United States. Assurance is ranked 17th among 1,800 life insurance companies in the United States, based on premium volume in 1979.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision throughout the United States. Each state has established supervisory agencies with broad administrative powers relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, fixing minimum interest rates for accumulation of surrender values and maximum interest rates of policy loans, prescribing the form and content of statutory financial reports and regulating the type and amount of investments permitted. Regulatory powers also extend to premium rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory. Current and proposed Federal measures which may significantly affect the insurance business include amendments to the McCarran-Ferguson Act, pension regulation (ERISA), controls on medical care costs, and national health insurance.

In addition, insurance holding company laws of several states grant power to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information, and to regulate certain transactions with affiliates. Generally, the declaration of dividends by an insurance company subsidiary to its parent in excess of specified minimum amounts is subject to regulatory approvals. In addition, material intercompany transactions involving insurance company subsidiaries may also be subject to regulatory approvals.

Properties: CNA Plaza, owned by Assurance, is a 1,097,000 square foot office complex located at 333 S. Wabash, Chicago, Illinois. The forty-five story office building serves as the Home Office for CNA and its insurance affiliates. CNA Plaza and the adjacent building (a 454,000 square foot building located at 55 E. Jackson Blvd.) are partially situated on ground leased for periods of 99 years. Approximately 60% of the adjacent building is rented to non-affiliates.

CNA also maintains four regional offices and thirty-one branch offices in major cities throughout the United States. This office space is leased except for offices located in two CNA owned buildings.

CONSUMER FINANCE

General makes direct installment loans to individuals, purchases sales finance contracts from merchants and acquires automobile finance contracts from automobile dealers. Direct installment loans (personal loans) account for the largest portion of the business and are extended for the purchase of goods for the home, payment of medical bills, tuition, vacation, and other personal needs. In connection with its financing activities, General, through a wholly-owned subsidiary, Mid-States Life Insurance Company of America, reinsures credit life and disability insurance purchased by its customers from the Life Insurance Group. Fire and property insurance also is offered to insure collateral on secured loans made to customers.

The consumer finance business is financed by General's capital and issuance by it of long-term notes and commercial paper and short-term borrowings under lines of credit with commercial banks.

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The following table sets forth supplemental data relating to the consumer finance business:

	Years Ended December 31,		
	1980	1979	1978
Personal Loans			
Receivables outstanding (in millions)	$458.1	$462.9	$434.0
Number of accounts outstanding (in thousands)	417.6	442.2	444.8
Average outstanding loan	$1,097	$1,047	$ 976
Volume (in millions)	$359.7	$427.4	$413.5
Average new loan	$1,386	$1,249	$1,130
Sales Finance Contracts			
Receivables outstanding (in millions)	$ 36.8	$ 39.8	$ 35.6
Number of accounts outstanding (in thousands)	78.6	83.4	77.1
Average outstanding contract	$ 468	$ 477	$ 462
Volume (in millions)	$ 49.7	$ 56.6	$ 52.5
Average new contract	$ 651	$ 631	$ 591
Automobile Loans			
Receivables outstanding (in millions)	$ 92.0	$ 71.4	$ 59.2
Number of accounts outstanding (in thousands)	28.2	23.3	22.1
Average outstanding loan	$3,261	$3,065	$2,677
Volume (in millions)	$ 84.2	$ 64.5	$ 60.3
Average new loan	$4,545	$4,273	$3,851
Other Data			
Number of branch offices	503	528	528
Insurance premiums and commissions (in millions)	$ 33.3	$ 28.3	$ 23.4
Average Interest Rates on Borrowings			
Short-term	12.6%	10.6%	7.2%
Long-term	8.9%	8.8%	8.4%
All debt	10.7%	9.4%	8.1%

Personal loans receivable outstanding and volume information is net, after deducting unearned finance charges. Outstanding and volume information on sales finance and automobile contracts is on a gross basis, including unearned finance charges.

Competition: The consumer finance business is highly competitive. A large number of institutions, ranging from small single office businesses to large nationwide institutions, are engaged in the industry. Companies that finance the sale of their own merchandise, banks, savings and loan associations, credit unions, as well as a large number of other finance companies are competitors of General. General is ranked 15th among the largest independent consumer finance companies in the United States measured by receivables outstanding at December 31, 1979.

Regulation: General and its consumer finance and personal loan companies are subject to regulation by the states in which they operate, including regulation of maximum rates of interest which may be charged. General's consumer credit transactions and credit advertising are subject to the Federal Consumer Protection Act and the Equal Credit Opportunity Act.

Properties: General leases its home office building at 1301 Central Avenue in Evanston, Illinois and conducts consumer finance activities through 503 offices, all of which are leased, in 26 states.

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LORILLARD DIVISION

Sales of cigarettes account for approximately 97% of the net sales of the Lorillard Division ("Lorillard"). The principal cigarette brand names of Lorillard are Kent, Kent III, Golden Lights, Triumph, Newport, True and Old Gold. Other tobacco products include little cigars, small cigars and chewing tobacco. Sales of "low tar" cigarette brands have increased since 1975 from approximately 20% of all cigarettes sold by Lorillard to approximately 78% in 1980.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for chewing tobacco, radio and television. Sales promotion activities are conducted by distribution of samples and store coupons, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast anti-smoking messages and the Federal Communications Commission has determined that the "fairness doctrine", requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues, creates no right to reply to such messages. Federal law requires that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health." Lorillard and the other cigarette manufacturers have agreed, pursuant to consent orders entered into with the Federal Trade Commission (Commission), to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner (see Item 3—"Legal Proceedings—Lorillard"). The Company understands that the Commission is conducting an investigation into advertising and marketing by the cigarette industry.

Several states, counties, municipalities, and Federal and state agencies have enacted or are considering legislation and regulations intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places, and to prohibit or restrict the sampling of cigarettes in public places. From time to time, bills have been introduced in Congress, among other things, to end or limit price supports for leaf tobacco; to provide that cigarette advertising is not a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Commission to promulgate standards establishing maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for health research; and to require that cigarettes be manufactured in a manner that will cause them, under certain circumstances, to be self-extinguishing.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets, and through chain store organizations and vending machine operators, many of whom purchase their requirements directly. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco, burley tobacco and Maryland tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions. Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and Greece and uses seed leaf tobacco, grown mostly in Wisconsin, Ohio, Pennsylvania and Connecticut, for use in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives. In addition, Lorillard purchases substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

Due to the varying size and quality of annual crops and other economic factors, tobacco prices have in the past been subject to wide fluctuations. Among the economic factors are Federal government control of acreage and poundage in the flue-cured producing areas, and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1980, the average auction price per pound for flue-cured tobacco increased from a low of approximately 77 cents to a high of approximately $1.45, or 88%. During this period, the average auction price per pound for burley increased from a low of approximately 80.9 cents in 1971 to a high of approximately $1.66 in 1980, or 105%. The prices paid by Lorillard increased with such trend. During 1980, Lorillard increased the wholesale price of its cigarettes by $1.45 per thousand in the aggregate.

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Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 to the Consolidated Financial Statements for inventory costing methods.

Taxes: The prices of cigarettes include Federal excise taxes at the rate of $4.00 per thousand. Excise taxes on cigarettes, which are levied upon and paid by the distributors, are also in effect in the fifty states and the District of Columbia. Such taxes, including those imposed by many municipal taxing authorities, generally range from 2 cents to 23 cents per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, wrapping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina, and Louisville, Kentucky. The Greensboro plant, devoted exclusively to the manufacture of cigarettes, is located on approximately 79 acres and contains approximately 820,600 square feet. Construction of additional plant space at Greensboro, consisting of a tobacco processing building containing approximately 122,000 square feet, is presently nearing completion. The Louisville plant, which consists of multi-storied buildings totaling about 800,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 2,000,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Lexington, Kentucky; Lancaster and Columbia, Pennsylvania; and Westby and Stoughton, Wisconsin. A modern research facility containing approximately 82,000 square feet is located at Greensboro. Lorillard leases executive offices at 666 Fifth Avenue, New York, New York 10103.

Competition: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total taxable factory removals of all cigarettes manufactured in the United States and total taxable factory removals of all cigarettes manufactured by Lorillard, indicates the relative position of Lorillard in the industry:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry**
1980	620,544,000	59,748,000	9.6%
1979	613,830,000	58,927,000	9.6%
1978	614,195,000	54,558,000	8.9%

* Source: Reports and bulletins of the Internal Revenue Service.

** The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1980, 1979 and 1978, Lorillard's share of the domestic market was 9.7%, 9.7% and 9.1%, respectively, based on estimated cigarette output by company.

On the basis of information currently available, Lorillard ranks fifth among the major producers of tobacco products in the United States.

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HOTEL DIVISION

The Company presently operates the following 13 hotels and motor hotels:

Name of Hotel	Location	Type	Number of Rooms*	Date Opened	Owned, Leased or Managed
Anatole	Dallas, Texas	Luxury Hotel	900	1979	Mgmt. Contract
Harbour Cove	Paradise Island, Nassau, the Bahamas	Resort Hotel	250	1970(1)	Owned
Howard Johnson's Motor Lodge(2)	New York, New York	Motor Hotel	300	1962	Leased Land
L'Enfant Plaza	Washington, D.C.	Luxury Hotel	372	1973	Mgmt. Contract
Le Concorde	Quebec City, Canada	Luxury Hotel	434	1974	Mgmt. Contract
Montcalm	London, England	Luxury Hotel	112	1973(1)	Leased
Monte Carlo	Monte Carlo, Monaco	Resort Hotel	640	1975	Leased
Paradise Island Hotel and Villas	Paradise Island, Nassau, the Bahamas	Resort Hotel	500	1967	Leased
Ramada Inn(2)	New York, New York	Motor Hotel	368	1962	Owned
Regency	New York, New York	Luxury Hotel	496	1963	Leased Land
Summit	New York, New York	First Class Hotel	781	1961	Leased Land
The Churchill	London, England	Luxury Hotel	489	1970	Leased
Westbury	Toronto, Canada	Luxury Hotel	546	1956(1)	Leased

* As of December 31, 1980.

(1) The Harbour Cove Hotel has been owned by the Company since September 1980 and the leases for the Montcalm and Westbury Hotels were acquired in 1977 and 1978, respectively.

(2) Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for use of the respective trade names, trademarks and other rights.

The Company is actively engaged in seeking additional hotels in the United States, Europe and other areas and enters into management agreements and other arrangements for hotels as suitable locations are selected.

During 1980 the Company acquired the Harbour Cove Hotel on Paradise Island, Nassau, the Bahamas (formerly known as the Flagler Inn). In addition, during 1980 the Company sold the Warwick Hotel in New York City and terminated its management agreement of the La Cité Hotel in Montreal, Canada. On January 15, 1981, the Company sold the Drake Hotel to a subsidiary of Swiss Air, Swissair Transport Co., Ltd.

The Company's hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses. The hotel in Monte Carlo contains a casino.

The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $49,310,000, at interest rates ranging from 5.5% to 8.05%, and maturing between 1981 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $58,441,000, at interest rates ranging from 5% to 9.5%.

The Company has leased to a joint venture the Sheraton Centre and the Sheraton City Squire Inn, in New York City, for terms expiring in 2002 and 2000, respectively. The leases, which are guaranteed by American Airlines, Inc. and Sheraton Corporation, provide for payment of fixed aggregate annual rent and a percentage rental with provisions for maximum fixed annual and percentage rents.

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Competition from other hotels, motor hotels and inns, including facilities owned by local interests and by national and international chains, is vigorous in all areas in which the Company operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. As reported by "Institutions," a trade publication, the Company's hotel division ranked 21st among the world's largest hotel organizations at the end of 1979. Because of the competitive nature of the industry, hotel and motor hotel operations must make continuing expenditures for updating, refurnishing and repairs and maintenance, in order to prevent competitive obsolescence.

THEATRE DIVISION

The Company's theatres exhibit feature motion pictures and, occasionally, accompanying short subjects, which are licensed for exhibition by film distributors.

The Company operates 143 motion picture theatre screens located in 26 cities or towns in 9 states. The 143 screens are contained in 61 facilities, of which 19 are owned and 42 are leased. All are conventional theatres. The theatres operated vary in size and include suburban theatres and large, deluxe "showcase" theatres.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of films. In general, the selection of films is determined by community preference, availability and terms. Films are licensed on a picture by picture and theatre by theatre basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy, ice cream products and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales.

In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The theatres owned by the Company, some of which also contain commercial properties, are subject to mortgage liens securing indebtedness aggregating approximately $1,935,000 at December 31, 1980, at interest rates ranging from 7¼% to 9⅜%, and maturing between 1990 and 1993. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $6,285,000, at interest rates ranging from 5¾% to 12%.

During the year ended December 31, 1980, the Company acquired or completed construction of four facilities with a total of fourteen screens. In addition, six screens were added to existing theatres. The operation of two facilities with five screens was discontinued.

The business of motion picture exhibition is highly competitive. The Company is one of many theatre chains in the United States. The Company operates theatres in certain areas of the country which are heavily saturated with theatres of various national and local exhibitors. The Company faces intense competition from locally significant competitors in obtaining quality films. (See Item 3—"Legal Proceedings—Theatres"). In addition to competition from other motion picture theatre operators, the Company's film exhibition business is confronted with other forms of competition in the entertainment field, among which are television and other forms of home entertainment, and films provided for viewing by hotel guests through hotel room television sets. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

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Through a tender offer which expired in March 1979 and other purchases, the Company has acquired approximately 94% of the voting securities of Bulova. Bulova's consumer products segment manufactures and sells watches and clocks for consumer use, timepiece parts and power cells. Its industrial and defense products segment manufactures and sells fuzes for national defense. In January 1981, Bulova disposed of the portion of this segment which manufactured and sold frequency control and other electronic components. The acquisition of control of Bulova by the Company was effective for accounting purposes as of March 31, 1979.

Consumer Products: Bulova manufactures and sells quartz-crystal watches with analog display as well as jeweled-lever watches. Watches are sold by Bulova principally in the United States, Canada and Italy. In most other areas of the world, Bulova has appointed an exclusive distributor for the sale of watches bearing Bulova's trademarks and has granted to such distributor a license to sell watches manufactured by others under Bulova's trademark.

The consumer products business is seasonal, with the greatest sales coming in the third and fourth quarters in expectation of the Christmas selling season. The consumer products business is intensely competitive. The principal methods of competition are price, aftersale service, warranty, product performance and styling.

Industrial and Defense Products: The principal products of this segment are fuzes for national defense sold to the United States Government. These sales accounted for approximately 69% of the sales of this segment and approximately 13% of Bulova's total sales in 1980.

The backlog of defense business amounted to $29.7 million as of December 31, 1980, compared with $32.3 million as of December 31, 1979. Of the current backlog, $2.2 million is not reasonably expected to be filled during the current fiscal year.

The defense business is intensely competitive. The principal methods of competition are price and product performance. Defense business represents mostly competitive fixed-price contracts awarded by the United States Government.

Patents, Research and Development: Bulova has various United States and foreign patents expiring between 1981 and 1997 and various pending patent applications. For the year ended December 31, 1980, nine months ended December 31, 1979, and the fiscal year ended March 31, 1979, Bulova spent approximately $1.8 million, $1.8 million and $1.9 million, respectively, on research activities relating to the development of new and improved consumer products.

Properties: Bulova's principal executive offices are located in a 385,000 square foot watch casing plant in Jackson Heights, New York. Bulova's other principal properties include two plants for the manufacture of watch cases in Providence, Rhode Island aggregating approximately 150,000 square feet; two plants for the manufacture of watch movements in Bienne, Switzerland aggregating approximately 135,000 square feet and other plants in Toronto, Canada (watch and clock assembly); the United States Virgin Islands (watch movement assembly) and Villers-le-lac, France (tool, die and watch parts manufacture). All the foregoing plants are owned by Bulova or its subsidiaries. In addition, Bulova and its subsidiaries lease one plant in Queens, New York (clock assembly and warehousing, 103,000 square feet) and one plant in Valley Stream, New York (defense products manufacture, 133,000 square feet). The Valley Stream plant is owned by Bulova's Employees' Retirement Plan Trust.

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OTHER INTERESTS

The Company owns two high-rise combination commercial and apartment buildings (one of which is currently under contract of sale), the land under an office building containing approximately 2,000,000 square feet of office and commercial space in New York City, a commercial and office building in New York City, and a commercial and office building in Los Angeles, California. The foregoing properties are subject to mortgages as of December 31, 1980, aggregating approximately $13,743,000, at interest rates of 6.375% to 7.5%, maturing between 1986 and 2010.

Employee Relations

The Company, exclusive of CNA and Bulova and their respective subsidiaries, employed approximately 11,500 persons at December 31, 1980. A substantial number of such personnel is represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed. The Company considers its employee relations to be satisfactory.

The Company maintains a retirement plan, group life, disability and health insurance program, and a savings plan for its salaried employees. The Company has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The Company has a retirement plan, a deferred profit sharing plan and other benefits for the hourly paid employees of the Lorillard Division who are represented by the foregoing unions.

CNA and its subsidiaries employ approximately 14,000 persons and have experienced satisfactory labor relations, with no work stoppages due to labor disagreements. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees including a retirement plan, a savings plan, a disability program and a group health care program.

Bulova and its subsidiaries employ approximately 3,900 persons approximately 1,750 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all employees.

Item 2. Properties.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1.

Item 3. Legal Proceedings.

Lorillard: 1. By decree dated November 16, 1911 of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America v. The American Tobacco Company and others,* each of fourteen corporations, including Lorillard, was prohibited from, among other things, (i) making transfers of its property to any other of those corporations, (ii) making any agreements of types deemed anti-competitive with any other of those corporations, (iii) holding stock in a corporation whose stock is also held by another of those corporations and (iv) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

2. In October 1975 the United States, on behalf of the Federal Trade Commission (Commission), commenced an action in the United States District Court for the District of Columbia against Lorillard and the five other major cigarette manufacturers, alleging concerted violation of consent orders entered into with the Commission relating to inclusion of the health warning statement appearing on cigarette packages, in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes. The action seeks penalties in unspecified amounts and injunctive relief, including creation of a trust fund to remedy alleged failure to warn the public of the hazard of smoking. The action has been transferred to the United States District Court for the Southern District of New York. Based on the investigation made to date, counsel is of the opinion that the Company has substantial factual and legal defenses to the action. Lorillard and four of the other major cigarette manufacturers have reached substantial agreement on terms of a proposed settlement. The settlement, subject to Commission approval, presently provides that Lorillard's share will amount to $100,000.

3. The Company and other leading tobacco manufacturers have been the subject, from time to time, of actions and claims seeking damages for cancer and other health affects claimed to have resulted from tobacco use. Presently pending actions include cross-complaints served on the Company in eleven similar actions in the California state courts by one or more of the defendants in such actions. In these actions

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plaintiffs allege that they have sustained personal injury as a result of exposure to asbestos-containing products manufactured and sold by the defendants and others. Each cross-complaint is seeking indemnification in unspecified amounts and declaratory relief from the Company and other tobacco companies for any liability imposed on it, claiming that plaintiffs' injuries, if any, were caused or contributed to by exposure to cigarette smoke. Similar third party cross-complaints have been filed by a defendant in two actions brought in the New Jersey State courts involving alleged injury from exposure to asbestos. The Company understands that additional similar third party cross-complaints in asbestos-related actions in California and New Jersey may also have been asserted against tobacco manufacturers including the Company, but the Company has not been served with process in any such actions. Presently pending actions also include an action in the Federal District Court in California by an individual against the Company and other tobacco companies seeking damages for personal injury as a result of cigarette smoking. All of the presently pending actions are in preliminary stages. The Company intends to defend vigorously all such actions brought against it.

Theatres: Under a Consent Judgment entered in the United States District Court for the Southern District of New York in 1952, in *United States* v. *Loew's Incorporated, et al.*, the Company was prohibited from, among other things, engaging in the distribution of motion pictures and acquiring theatres, except upon a showing to the court that any such acquisition would not unduly restrain competition. On February 27, 1980 the Consent Judgment was modified (i) to permit the Company to acquire theatres without court approval, with the exception of certain specified markets where such approval will continue to be required for acquisition of certain existing theatres until February 27, 1990, and (ii) to permit the Company to engage in the distribution of motion pictures subject to restrictions imposed on eight motion picture distributors by various decrees entered in *United States* v. *Paramount et al.* and *United States* v. *Loew's Incorporated et al.*, provided that motion pictures produced or distributed by the Company may not be exhibited in the Company's theatres. Among other things, such decrees provide that pictures of such distributors must be offered and licensed to exhibitors picture by picture and theatre by theatre.

Other: 1. In July 1978 an action was commenced in the United States District Court for the Eastern District of New York by the Federal Deposit Insurance Corporation (FDIC) as Receiver of Franklin National Bank (FNB), against Laurence A. Tisch, Chairman of the Board and Chief Executive Officer of the Company, Tisch Hotels, Inc., the Company, and two of its subsidiaries, Loew's Theatres, Inc. (Theatres) and Lawton General Corp. (Lawton). The complaint essentially sets forth three claims: (1) that Mr. Tisch misused his position as a director of FNB and its parent, Franklin New York Corporation (FNYC) and "inside information" to obtain a premium for defendants, Theatres and Lawton, on the sale of 1,000,000 shares of FNYC common stock to Fasco International Holding, S.A. (Fasco), a company then controlled by Michele Sindona (Sindona); (2) that Mr. Tisch misused his position as a director of FNB and FNYC to "facilitate" various steps whereby Sindona and his associates were placed in positions of management control of FNB and, particularly, its international business, as a result of which Sindona caused FNB to suffer substantial damages; and (3) that Mr. Tisch and the defendant corporations owed a fiduciary duty to FNYC and FNB which was breached by alleged failure to make proper investigation of Sindona. Plaintiff FDIC seeks (a) judgment in the amount of the asserted premiums obtained in the sale of FNYC shares; (b) judgment in an amount to be determined with respect to asserted facilitation of transfer of management control over FNB's international business; and (c) judgment in an amount to be determined with respect to damage due to the exercise of management control by Sindona and Fasco, as well as imposition of a constructive trust upon all proceeds allegedly derived from breach of fiduciary duty owed to FNB. The defendants have denied the material allegations of the complaint and asserted numerous affirmative defenses. In 1980, the FDIC assigned all of its rights in the claims asserted in this action to the plaintiff in the action referred to immediately below (Corbin). In February 1981, the Court granted a motion by the FDIC and Corbin for an order joining Corbin as an additional plaintiff in this action and denied the defendants' cross-motion to dismiss the action for lack of Federal subject matter jurisdiction or to stay all further proceedings pending the outcome of the action by Corbin described below. Defendants are seeking to appeal that order.

2. In August 1978 an action was commenced in the Supreme Court of the State of New York, County of New York, by Sol Neil Corbin (Corbin) as Trustee in Bankruptcy of FNYC, against the same

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defendants named in the action described above. The complaint alleges essentially the same claims as are alleged in the action by the FDIC described above. Plaintiff Trustee seeks (1) judgment in the amount of all profits and benefits derived from the alleged use of inside information in the sale of 1,000,000 shares of FNYC common stock; (2) damages of not less than $45,000,000 with respect to the alleged failure to investigate Sindona's suitability; (3) judgment for any premium received from the alleged sale of FNYC's corporate offices and management control of FNB's international banking operations; and (4) judgment in the amount of any premium received for allegedly placing Sindona in a position to utilize FNYC's assets for his own benefit. The defendants have denied the material allegations of the complaint and asserted numerous affirmative defenses. In March 1981 the Court granted Corbin's motion to stay all proceedings in this action and denied on procedural grounds defendants' motion for summary judgment dismissing the complaint, without prejudice to renewal of the motion in an appropriate forum.

3. In February 1980 a purported class action, *Clegg, et al.* v. *Loews Corporation, et al.*, was commenced in the Superior Court of the State of California, County of San Francisco, by owners of townhouses in a project in South San Francisco, California known as Westborough Greens. The Second Amended Complaint filed in August 1980 named as defendants the Company, certain of its residential development subsidiaries and others, including Laurence A. Tisch, Preston R. Tisch and Lester Pollack, in their individual and corporate capacities. Laurence A. Tisch and Preston R. Tisch are directors and Chairman of the Board and President, respectively, of the Company and Lester Pollack is a director of the Company. The plaintiffs allege numerous latent and other defects in the townhouses and failure to comply with applicable seismic and fire codes. The Second Amended Complaint seeks compensatory damages of at least $20,000,000, punitive damages of $100,000,000, and an injunction requiring the defendants to repair the alleged defects, based on theories of negligence, strict liability, breach of implied warranty of merchantability, negligent misrepresentation, fraud, false advertising and unfair business practices in violation of California law. Motions to quash service of the summons and complaint upon Preston R. Tisch and Lester Pollack on the ground that the court lacks personal jurisdiction have been granted and the action against Laurence A. Tisch has been dismissed by plaintiffs voluntarily without prejudice. The Company and such officers and directors deny liability. This action is in a preliminary stage.

4. In April 1980 the Company settled several other similar actions brought by condominium associations and others relating to another project in South San Francisco known as Westborough Hills. Under the settlement, the Company paid $9,950,000 to be used by the plaintiff associations to make repairs to the condominium units in order that the structures comprising them are in full compliance with applicable seismic, fire and other codes. Under the terms of the settlement, plaintiffs gave general releases in favor of the Company and certain of its officers, directors and subsidiaries. Such releases are not applicable to certain claims which may result from any earthquake occurring on or prior to September 22, 1981.

5. The Company has instituted actions of indemnity and securities fraud against two of the former officers of the residential subsidiaries involved in the Westborough Hills litigation seeking to recover all or part of the $9,950,000 paid in such settlement alleging breaches of obligations, wilfull malfeasance and gross negligence. The defendants have denied the material allegations of the complaint and cross-claimed against the Company and certain subsidiaries claiming, among other things, fraud and breach of contract and seeking to recover compensatory damage aggregating in excess of $20,000,000 for various contractual claims and punitive damages in excess of $100,000,000. The Company has also asserted claims against certain subcontractors and the City of South San Francisco, California relating to Westborough Hills and has asserted claims against certain of its insurance carriers relating to Westborough Hills and Westborough Greens. These actions are all in preliminary stages.

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Item 4. Security Ownership of Certain Beneficial Owners and Management.

(a) The following table contains certain information as to all persons who, to the knowledge of Registrant, were the beneficial owners of 5% or more of the Common Stock of Registrant. Except as set forth below, this information is as of February 27, 1981 and each such person has sole voting and investment power with respect to the shares set forth:

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
Laurence A. Tisch 666 Fifth Avenue New York, NY 10103	Common Stock	2,663,607(1)(2)	20.8%
Preston R. Tisch 666 Fifth Avenue New York, NY 10103	Common Stock	2,518,271(1)	19.6%
FMR Corp. 82 Devonshire Street Boston, MA 02109	Common Stock	637,550(3)	5.0%

(1) Laurence A. Tisch is Chairman of the Board and Chief Executive Officer of Registrant and Preston R. Tisch is President and Chief Operating Officer of Registrant. The Messrs. Tisch are brothers and may be deemed to be control persons of Registrant.

(2) Includes 145,336 shares of Common Stock of Registrant, constituting approximately 1.1%, of the outstanding shares of Common Stock of Registrant which Laurence A. Tisch holds as trustee of trusts for the benefit of the children of Preston R. Tisch. As trustee, Laurence A. Tisch has sole voting and investment power with respect to such shares. Laurence A. Tisch disclaims any beneficial interest in shares held by such trusts.

(3) Registrant has been advised that FMR Corp. was the beneficial owner of these shares as of December 31, 1980 through two wholly-owned subsidiaries, one of which is an investment advisor to several institutional accounts and the other of which is an investment advisor to several registered investment companies. FMR Corp. has reported that it has shared investment power and no voting power with respect to these shares of Common Stock.

(b) The following table sets forth certain information as to the shares of Common Stock beneficially owned by each director and by all officers and directors of Registrant as a group at February 27, 1981, based on data furnished by them.

Name	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Charles B. Benenson	42,650(2)	*
Curtis H. Judge	13,000(3)	*
Robert B. McKay	200	*
John F. Murphy	20,850	*
Bernard Myerson	36,600(4)	*
Edward J. Noha	100(5)	*
Lester Pollack	8,237(6)	*
Alfred P. Slaner	9,250(7)	*
Laurence A. Tisch	2,663,607(8)	20.8%
Preston R. Tisch	2,518,271	19.6%
All officers and directors as a group (20 persons including those listed above)	5,369,068(9)	41.9%

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* Represents less than 1% of the outstanding shares of Common Stock.

(1) Except as otherwise indicated the persons listed as beneficial owners of the shares have sole voting and investment power with respect to such shares.

(2) These shares are owned by a partnership in which a revocable trust created by Mr. Benenson has a 75% interest and of which Mr. Benenson is general manager. In addition, such partnership owns 10,000 shares of common stock of CNA. Mr. Benenson has shared voting and investment power with respect to the Common Stock and CNA common stock owned by such partnership.

(3) Includes 12,500 shares of Common Stock issuable upon exercise of options granted to Mr. Judge under Registrant's Key Employees' Qualified Stock Option Plan (the "Stock Option Plan").

(4) Includes 7,500 shares of Common Stock issuable upon exercise of options granted to Mr. Myerson under the Stock Option Plan. In addition, Mr. Myerson's wife owns 8,500 shares of Common Stock as to which Mr. Myerson disclaims any beneficial interest.

(5) In addition, Mr. Noha owns beneficially 60,200 shares of CNA common stock and 200 shares of CNA Series A preferred stock.

(6) Does not include 342 shares of Common Stock owned by Mr. Pollack's children as to which Mr. Pollack disclaims any beneficial interest.

(7) Includes 2,250 shares of Common Stock owned by a family corporation as to which Mr. Slaner has shared voting and investment power. In addition 1,175 shares are owned by trusts for the benefit of Mr. Slaner's children or by his wife, as to which Mr. Slaner disclaims any beneficial interest.

(8) Includes 145,336 shares of Common Stock held by Mr. Laurence A. Tisch as trustee; see Note 2 of Item 4.(a) above.

(9) Includes 40,650 shares of Common Stock issuable upon exercise of options granted under the Stock Option Plan.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices held	Age	First Became Officer
Kenneth Abrams	Vice President	47	1975
Gerald Diamond	Vice President	65	1972
Robert J. Hausman	Vice President	57	1973
Barry Hirsch	Vice President, Secretary and General Counsel	47	1971
Herbert C. Hofmann	Vice President	38	1979
Harry Katz	Controller	54	1974
Bernard Myerson	Executive Vice President	63	1963
Roy E. Posner	Vice President—Financial Services	47	1973
Arthur J. Raporte	Vice President	63	1960
Stephen F. Schwartz	Vice President	40	1980
Jacob Stillman	Treasurer	64	1958
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	58	1959
Preston R. Tisch	President and Chief Operating Officer	54	1960

The Messrs. Tisch are brothers. None of the other officers or directors of Registrant is related to any other. All executive officers of Registrant have been engaged actively and continuously in the business of Registrant and its predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

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PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters.

Information relating to this item is included on page 1 of the accompanying 1980 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. Selected Financial Data.

The selected financial data appearing on page 1 of the accompanying 1980 Annual Report to Shareholders are incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations appearing on pages 10 through 12 of the accompanying 1980 Annual Report to Shareholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements appearing on pages 14 through 38 of the accompanying 1980 Annual Report to Shareholders are incorporated herein by reference.

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to regulation 14A.

PART IV

Item 11. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) 1. Financial Statements:

The financial statements appearing on pages 14 through 38 of the accompanying 1980 Annual Report to Shareholders are incorporated herein by reference. The following additional financial data should be read in conjunction with the financial statements in the 1980 Annual Report to Shareholders. Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes to consolidated financial statements.

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2. Financial statement schedules:

	Page Number
PARENT COMPANY FINANCIAL INFORMATION	L-2
LOEWS CORPORATION AND SUBSIDIARIES:	
Auditors' Opinion and Consent to Incorporation by Reference in Registration Statement on Form S-8	L-1
Loews Corporation and Subsidiaries:	
Schedule I—Summary of investments for the years ended December 31, 1980 and 1979**	L-5
Schedule II—Amounts receivable from related parties and underwriters, promoters and employees other than related parties for the years ended December 31, 1980, 1979 and 1978**	L-6
Schedule III—Investment in, equity in income of, and dividends received from related parties for the years ended December 31, 1980, 1979 and 1978*	L-7
Schedule V—Property, plant and equipment for the years ended December 31, 1980, 1979 and 1978**	L-10
Schedule VI—Accumulated depreciation, depletion, and amortization of property, plant and equipment for the years ended December 31, 1980, 1979 and 1978**	L-11
Schedule VIII—Valuation and qualifying accounts for the years ended December 31, 1980, 1979 and 1978**	L-12
Schedule IX—Short-term borrowings for the years ended December 31, 1980, 1979 and 1978**	L-13
Schedule X—Supplementary income statement information for the years ended December 31, 1980, 1979 and 1978**	L-14
CNA FINANCIAL CORPORATION (CNA):	
Report of Independent Certified Public Accountants	C-1
Consolidated Balance Sheet—December 31, 1980 and 1979	C-2
Statement of Consolidated Operations—For the years ended December 31, 1980, 1979 and 1978	C-3
Statement of Consolidated Stockholders' Equity—For the years ended December 31, 1980, 1979 and 1978	C-4
Statement of Changes in Consolidated Financial Position—For the years ended December 31, 1980, 1979 and 1978	C-5
Notes to Financial Statements	C-6
Balance Sheet (Parent Company)—December 31, 1980 and 1979	C-40
Statement of Operations (Parent Company)—For the years ended December 31, 1980, 1979 and 1978	C-41
Statement of Changes in Financial Position (Parent Company)—For the years ended December 31, 1980, 1979 and 1978	C-42
Notes to Financial Statements (Parent Company)	C-43
Supplementary Data:	
Schedule I—Summary of Investments	C-44
Schedule XII—Valuation and Qualifying Accounts and Reserves	C-54
PROPERTY/CASUALTY INSURANCE GROUP:	
Combined Balance Sheet—December 31, 1980 and 1979	C-18
Statement of Combined Operations and Capital Changes—For the years ended December 31, 1980, 1979 and 1978	C-19
Statement of Changes in Combined Financial Position—For the years ended December 31, 1980, 1979 and 1978	C-20
Supplementary Data:	
Schedule I—Summary of Investments	C-45
Schedule VII—Premiums, Losses and Claims	C-48

87758992

	Page Number
LIFE INSURANCE GROUP:	
Combined Balance Sheet—December 31, 1980 and 1979	C-21
Statement of Combined Operations and Capital Changes—For the years ended December 31, 1980, 1979 and 1978	C-22
Statement of Changes in Combined Financial Position—For the years ended December 31, 1980, 1979 and 1978	C-23
Notes to Property/Casualty Insurance and Life Insurance Group Financial Statements	C-24
Supplementary Data:	
Schedule I—Summary of Investments	C-46
Schedule IV—Deferred Acquisition Costs	C-47
Schedule VII—Future Policy Benefits and Insurance In Force	C-50
GENERAL FINANCE CORPORATION:	
Consolidated Balance Sheet—December 31, 1980 and 1979	C-30
Statement of Consolidated Operations—For the years ended December 31, 1980, 1979 and 1978	C-31
Statement of Changes in Consolidated Financial Position—For the years ended December 31, 1980, 1979 and 1978	C-32
Notes to Financial Statements	C-33
Supplementary Data:	
Schedule VIII—Analysis of Allowance for Credit Losses	C-55
Schedule X—Supplementary Income Statement Information	C-55

* Parent company

** Consolidated

3. Exhibits:

Description	Exhibit Number
(3) Articles of Incorporation and By-Laws	
Articles of Incorporation of the Registrant as amended to date, incorporated by reference to Exhibits 3 (a) and 3 (c) to Registrant's Registration Statement No. 2-38902	3.01
By-Laws of the Registrant as amended to date	3.02
(4) Instruments Defining the Rights of Security Holders, Including Indentures	
Agreement by the Registrant to furnish to the Commission upon request copies of instruments with respect to certain long-term debt, pursuant to Item 7(b)(4)(c) of Regulation S-K.	4.01
(11) Statement Re Computation of Per Share Earnings Assuming Full Dilution	
Computation of per share earnings assuming full dilution for the years ended December 31, 1980, 1979 and 1978**	11.01
(13) Annual Report to Security Holders	
Registrant's 1980 Annual Report to Shareholders. Except for those portions of such report which are expressly incorporated by reference in this Form 10-K, such report is furnished for the information of the Commission and is not deemed "filed" as part of this filing	13.01
(22) Subsidiaries of the Registrant	
List of subsidiaries of the Registrant	22.00

(b) Reports on Form 8-K:

There were no reports on Form 8-K for the three months ended December 31, 1980.

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SIGNATURES

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.

LOEWS CORPORATION

Dated: March 26, 1981

By ROY E. POSNER
(Roy E. Posner, Vice-President—Financial Services)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 26, 1981

By LAURENCE A. TISCH
(Laurence A. Tisch, Chairman of the Board and Principal Executive Officer)

Dated: March 26, 1981

By ROY E. POSNER
(Roy E. Posner, Vice-President—Financial Services, Principal Financial Officer)

Dated: March 26, 1981

By HARRY KATZ
(Harry Katz, Controller)

Dated: March 26, 1981

By CHARLES B. BENENSON
(Charles B. Benenson, Director)

Dated: March 26, 1981

By CURTIS H. JUDGE
(Curtis H. Judge, Director)

Dated: March 26, 1981

By ROBERT B. MCKAY
(Robert B. McKay, Director)

Dated: March 26, 1981

By JOHN F. MURPHY
(John F. Murphy, Director)

Dated: March 26, 1981

By BERNARD MYERSON
(Bernard Myerson, Director)

Dated: March 26, 1981

By EDWARD J. NOHA
(Edward J. Noha, Director)

Dated: March 26, 1981

By LESTER POLLACK
(Lester Pollack, Director)

Dated: March 26, 1981

By ALFRED P. SLANER
(Alfred P. Slaner, Director)

Dated: March 26, 1981

By PRESTON R. TISCH
(Preston R. Tisch, Director)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Year Ended December 31, 1981

Commission File Number 1-6541

LOEWS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue New York, N.Y. (Address of principal executive offices)	10103 (Zip Code)

(212) 841-1000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No _____

As at February 26, 1982, 12,322,012 shares of common stock of the registrant were outstanding and the aggregate market value of voting stock held by non-affiliates was approximately $606,900,000.

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DOCUMENTS INCORPORATED BY REFERENCE

PART I	
Item 1. Business (in part)	Pages 8 and 9, and Note 1 to the Consolidated Financial Statements (Inventories) of the 1981 Annual Report to Shareholders.*
PART II	
Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters	Page 1 of the 1981 Annual Report to Shareholders.*
Item 6. Selected Financial Data	Page 1 of the 1981 Annual Report to Shareholders.*
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	Pages 10 to 12 of the 1981 Annual Report to Shareholders.*
Item 8. Financial Statements and Supplementary Data	Pages 14 to 39 of the 1981 Annual Report to Shareholders.*
PART III	
Item 9. Directors and Executive Officers of the Registrant	Proxy Statement to be filed prior to April 30, 1982.
Item 10. Management Remuneration and Transactions	Proxy Statement to be filed prior to April 30, 1982.
PART IV	
Item 11. (a)1 Financial Statements	Pages 14 to 39 of the 1981 Annual Report to Shareholders.*

*The 1981 Annual Report to Shareholders accompanies this report on Form 10-K. Except as indicated above, no other information appearing in the 1981 Annual Report to Shareholders is deemed to be filed as part of this Report on Form 10-K.

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LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON
FORM 10-K FILED WITH THE
SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 1981

PART I

Item No.		Page No.
1	BUSINESS	2
	CNA Financial Corporation	2
	Lorillard Division	6
	Hotel Division	9
	Theatre Division	10
	Bulova Watch Company, Inc.	11
	Other Interests	11
2	PROPERTIES	12
3	LEGAL PROCEEDINGS	12
4	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	13
	EXECUTIVE OFFICERS OF THE REGISTRANT	15

PART II

5	MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS	16
6	SELECTED FINANCIAL DATA	16
7	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	16
8	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	16

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

PART IV

11	EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K	16

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PART I

Item 1. Business.

Loews Corporation (hereinafter, together with its subsidiaries, referred to as the "Company" or the "Registrant"), primarily through its subsidiaries, is engaged in the production and sale of cigarettes; the operation of hotels; the exhibition of motion pictures; through its approximately 84% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life) and consumer finance; and through its approximately 94% ownership of Bulova Watch Company, Inc. ("Bulova"), the production and sale of watches and other timing devices.

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained on pages 8 and 9 in the accompanying 1981 Annual Report to Shareholders.

CNA FINANCIAL CORPORATION

CNA's principal business is insurance. As a multiple-line insurer, CNA underwrites property, casualty, life, and accident and health coverages. CNA's principal market for insurance is the United States. CNA's foreign operations are not significant. CNA is also engaged in the consumer finance business which is conducted by General Finance Corporation ("General Finance"). CNA also has interests in a dental equipment and supply company.

CNA's property and casualty insurance operations are conducted by Continental Casualty Company and its casualty insurance affiliates, and its life insurance operations are conducted primarily by Continental Assurance Company.

The tabular information relating to CNA on pages 3 through 6 of this report is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisition of CNA shares.

PROPERTY AND CASUALTY INSURANCE

CNA's property and casualty insurance operation markets commercial and personal lines of property and casualty insurance through approximately 40,000 independent agents and brokers. Personal lines primarily consist of automobile and homeowners insurance. Commercial business includes such lines as workers' compensation, general liability, multiple peril, professional and specialty, and reinsurance.

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The following table sets forth supplemental data for the property and casualty business:

	Years Ended December 31.		
	1981	1980	1979
	(In millions of dollars)		
Commercial Premiums Earned			
Workers' compensation	$ 332.1	$ 404.2	$ 321.5
General liability	246.8	232.6	214.2
Multiple peril	147.5	160.1	145.2
Professional and specialty	169.8	174.2	162.8
Reinsurance	124.3	129.5	176.3
Accident and health	111.8(a)	15.4	16.4
Other	130.8	112.6	74.9
Total premiums earned	$1,263.1	$1,228.6	$1,111.3
Personal Premiums Earned			
Private passenger	$ 145.7	$ 103.3	$ 70.7
Personal property	82.5	72.6	55.3
Accident and health	69.9(a)	14.7	24.1
Other	3.3	2.5	2.2
Total premiums earned	$ 301.4	$ 193.1	$ 152.3
Investment Income			
Commercial	$ 308.8	$ 208.1	$ 172.3
Personal	28.9	21.5	19.8
Total investment income	$ 337.7	$ 229.6	$ 192.1
Other Data (b)			
Statutory capital and surplus	$1,009.6	$ 854.3	$ 614.7
Written to surplus ratio	1.5	1.7	2.2
Trade Ratios (b)(c)			
Loss ratio	80.8%	78.7%	74.8%
Expense ratio	30.9%	27.9%	28.5%
Combined ratio (before policyholder dividends)	111.7%	106.6%	103.3%
Policyholder dividend ratio	1.9%	1.8%	2.0%

(a) Pursuant to a Quota Share Reinsurance Agreement in effect prior to 1981, Continental Casualty Company ceded 85% of its acciden: and health premiums to Continental Assurance Company. This agreement provided for cession of earned premiums, claims and claim expenses based on pro rata participation in the related business and a ceding commission dependent on claim experience. The assets and liabilities related to this business remained with the ceding company.

(b) Other Data and Trade Ratios are on the basis of statutory accounting principles and reflect capital contributions from CNA of $121.4 million in 1981 and $121.7 million in 1980 and reductions in operating expenses in the amount of $39.2 million and $32.9 million in 1981 and 1980 resulting from the discontinuance of general management and administrative expense allocations from CNA.

(c) Trade Ratios are a measure of property and casualty underwriting profitability. The combined ratio is the sum of the loss ratio and the expense ratio. The loss ratio is the percentage of incurred losses to premiums earned. The expense ratio is the percentage of statutory underwriting expenses to premiums written and the policyholder dividend ratio is the ratio of such dividends to premiums earned.

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LIFE INSURANCE

CNA's life insurance operation markets individual and group insurance products through approximately 25,000 licensed agents, most of whom are independent contractors, who sell life insurance for CNA and for other companies on a commission basis. Individual insurance products (including life insurance, accident and health and annuity products) are sold to individuals and small businesses. Group insurance products (life insurance, accident and health insurances, and pensions) are sold to employers, employer associations and trusts ranging in size from small local employers to large multi-national corporations.

The following table sets forth supplemental data for the life insurance business:

	Years Ended December 31,		
	1981	1980	1979
	(In millions of dollars)		
Individual Premiums			
Life	$ 177.2	$ 178.6	$ 175.4
Accident and health	16.9(a)	84.1	89.5
Annuities	1.8	2.9	4.3
Total premiums	$ 195.9	$ 265.6	$ 269.2
Group Premiums			
Life	$ 110.9	$ 105.4	$ 113.5
Accident and health	576.1(a)	582.6	495.0
Annuities	18.2	10.0	9.1
Total premiums	$ 705.2	$ 698.0	$ 617.6
Investment and Other Income			
Individual	$ 98.7	$ 92.4	$ 86.3
Group	97.0	102.5	93.3
Total investment and other income	$ 195.7	$ 194.9	$ 179.6
Gross Life Insurance in Force			
Individual	$14,131	$12,450	$10,023
Group	17,068	16,705	13,253
Total insurance in force	$31,199	$29,155	$23,276
Other Data (b)			
Statutory capital and surplus	$ 265.8	$ 237.5	$ 199.0
Statutory capital and surplus—percent of total liabilities	8.5%	7.7%	6.9%
Participating policyholders—percent of gross life insurance in force	16.3%	17.3%	20.3%
Lapse ratio—individual life	12.0%	10.6%	9.6%

(a) For information with respect to the Quota Share Reinsurance Agreement in effect prior to 1981, see note (a) of the table for property and casualty business.

(b) Other Data is on the basis of statutory accounting principles and reflects a $44.0 million capital contribution from CNA in 1981 and reductions in operating expenses in the amounts of $19.3 million and $14.6 million in 1981 and 1980 resulting from the discontinuance of general management and administrative expense allocations from CNA.

The lapse ratio is for terminations after the first year and is calculated on the basis of current year terminations (other than death or maturity) and life insurance in force at the beginning of the year plus new issues during the preceding year.

Reinsurance: CNA's insurance operations assume and cede insurance from and to other insurers. Reinsurance arrangements are utilized to limit maximum loss, provide greater diversification of risk and minimize exposures on larger risks. The ceding of insurance does not discharge the primary liability of the original insurer. It is the practice of insurers to treat the portion of the risks which have been reinsured with other companies as though they were risks for which the original insurer is not liable.

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Competition: All aspects of the insurance business are highly competitive. CNA's insurance operations compete with a large number of stock and mutual insurance companies and other entities for both producers and customers and must continuously allocate resources to refine and improve their present insurance products and services. Based on net premiums written in 1980, Continental Casualty Company is ranked 17th among 3,000 companies writing property and casualty insurance in the United States. Continental Assurance Company is ranked 16th among 1,900 life insurance companies in the United States, based on premium income in 1980.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision throughout the United States. Each state has established supervisory agencies with broad administrative powers relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, fixing minimum interest rates for accumulation of surrender values and maximum interest rates of policy loans, prescribing the form and content of statutory financial reports and regulating the type and amount of investments permitted. Regulatory powers also extend to premium rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory. Current and proposed Federal measures which may significantly affect the insurance business include amendments to the McCarran-Ferguson Act, pension regulation (ERISA), controls on medical care costs, and national health insurance.

In addition, insurance holding company laws of several states grant power to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information, and to regulate certain transactions with affiliates. Generally, the declaration of dividends by an insurance company subsidiary to its parent in excess of specified minimum amounts is subject to regulatory approvals. In addition, material intercompany transactions involving insurance company subsidiaries may also be subject to regulatory approvals.

Properties: CNA Plaza, owned by Continental Assurance Company, is a 1,097,000 square foot office complex located at 333 S. Wabash, Chicago, Illinois. The forty-five story office building serves as the Home Office for CNA and its insurance affiliates. CNA Plaza and the adjacent building (a 454,000 square foot building located at 55 E. Jackson Blvd.) are partially situated on ground occupied under leases expiring in 2058 and 2067. Approximately 60% of the adjacent building is rented to non-affiliates.

CNA also maintains four regional offices and thirty-one branch offices in major cities throughout the United States. This office space is leased except for offices located in two CNA owned buildings.

CONSUMER FINANCE

General Finance makes direct installment loans to individuals, and acquires automobile finance contracts from automobile dealers. Direct installment loans (personal loans) account for the largest portion of the business and are extended for the purchase of goods for the home, payment of medical bills, tuition, vacation, and other personal needs. In connection with its financing activities, Mid-States Life Insurance Company of America a wholly-owned subsidiary, reinsures credit life and disability insurance purchased by General Finance customers from Continental Assurance Company. Fire and property insurance also is offered to insure collateral on secured loans made to customers.

During 1981 General Finance, as part of its efforts to improve future profitability, provide funds for maturing long-term debt obligations, and reduce its dependence on short-term financing, closed or merged 130 loan offices and sold net receivables (net of unearned finance charges) aggregating $39,000,000. The sales, which included certain items of furniture and fixtures and the write-off of certain lease obligations, resulted in a loss on disposition of approximately $6,000,000 ($3,300,000 after taxes) in 1981. The foregoing actions reduced General Finance's gross personal loan receivables from $579,400,000 at December 31, 1980 to $457,700,000 at December 31, 1981.

The consumer finance business is financed by General Finance's capital and issuance by it of long-term notes and commercial paper and short-term borrowings under lines of credit with commercial banks. In addition during 1981, $28.7 million was paid to General Finance by CNA under a ratio maintenance agreement in effect during the year.

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The following table sets forth supplemental data relating to the consumer finance business:

	Years Ended December 31,		
	1981	1980	1979
Personal Loans			
Number of accounts outstanding (in thousands)	319.3	417.6	442.2
Receivables outstanding (in millions)	$371.5	$458.1	$462.9
Average outstanding loan	$1,163	$1,097	$1,047
Volume (in millions)	$265.5	$359.7	$427.4
Average new loan	$1,592	$1,386	$1,249
Sales Finance Contracts			
Number of accounts outstanding (in thousands)	36.7	78.6	83.4
Receivables outstanding (in millions)	$ 14.8	$ 36.8	$ 39.8
Average outstanding loan	$ 403	$ 468	$ 477
Volume (in millions)	$ 20.8	$ 49.7	$ 56.6
Average new loan	$ 693	$ 651	$ 631
Automobile Loans	—		
Number of accounts outstanding (in thousands)	29.8	28.2	23.3
Receivables outstanding (in millions)	$ 98.9	$ 92.0	$ 71.4
Average outstanding loan	$3,319	$3,261	$3,065
Volume (in millions)	$ 82.5	$ 84.2	$ 64.5
Average new loan	$4,839	$4,545	$4,273
Other Data			
Number of branch offices	376	503	528
Insurance premiums and commissions (in millions)	$ 35.8	$ 33.3	$ 28.3
Average Interest Rates on Borrowings			
Short-term	16.7%	12.6%	10.6%
Long-term	9.3%	8.9%	8.8%
All debt	12.3%	10.7%	9.4%

Personal loans receivable outstanding and volume information is net, after deducting unearned finance charges. Outstanding and volume information on sales finance and automobile contracts is on a gross basis, including unearned finance charges.

Competition: The consumer finance business is highly competitive. A large number of institutions, ranging from small single office businesses to large nationwide institutions, are engaged in the industry. Companies that finance the sale of their own merchandise, banks, savings and loan associations, credit unions, as well as a large number of other finance companies are competitors of General Finance. Based on receivables outstanding at the end of 1980, General Finance is ranked as the 12th largest among independent consumer finance companies in the United States.

Regulation: General Finance is subject to regulation by the states in which it operates, including regulation of maximum rates of interest which may be charged. Consumer credit transactions and credit advertising are subject to the Federal Consumer Protection Act and the Equal Credit Opportunity Act.

Properties: General Finance leases its home office building at 1301 Central Avenue in Evanston, Illinois, and conducts consumer finance activities through 376 offices, all of which are leased, in 17 states.

LORILLARD DIVISION

Sales of cigarettes account for approximately 97% of the net sales of the Lorillard Division ("Lorillard"). The principal cigarette brand names of Lorillard are Kent, Kent III, Golden Lights, Triumph, Newport, True, Max and Old Gold. Other tobacco products include little cigars, small cigars and chewing tobacco. Sales of "low tar" cigarette brands have increased since 1975 from approximately 20% of all cigarettes sold by Lorillard to approximately 74% in 1981.

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Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for chewing tobacco, radio and television. Sales promotion activities are conducted by distribution of samples and store coupons, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast anti-smoking messages and the Federal Communications Commission has determined that the "fairness doctrine", requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues, creates no right to reply to such messages. Federal law requires that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health." Lorillard and the other cigarette manufacturers have agreed, pursuant to consent orders entered into with the Federal Trade Commission (Commission), to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner. The Company understands that the Commission is conducting an investigation into advertising and marketing by the cigarette industry.

Several states, counties, municipalities, and Federal and state agencies have enacted or are considering legislation and regulations intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places, and to prohibit or restrict the sampling of cigarettes in public places. From time to time, bills have been introduced in Congress, among other things, to end or limit price supports for leaf tobacco; to provide that cigarette advertising not be a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Commission to promulgate standards establishing maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for health research; and to require that cigarettes be manufactured in a manner that will cause them, under certain circumstances, to be self-extinguishing.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets, and through chain store organizations and vending machine operators, many of whom purchase their requirements directly. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco and burley tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions. Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and Greece and uses seed leaf tobacco, grown mostly in Wisconsin, Ohio, Pennsylvania and Connecticut, for use in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives. In addition, Lorillard purchases substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

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Due to the varying size and quality of annual crops and other economic factors, tobacco prices have in the past been subject to wide fluctuations. Among the economic factors are Federal government control of acreage and poundage in the flue-cured producing area and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1981, the average auction price per pound for flue-cured tobacco increased from a low of approximately 85.3 cents to a high of approximately $1.664 or 95%. During this period, the average auction price per pound for burley increased from a low of approximately 79.2 cents in 1972 to a high of approximately $1.807 in 1981, or 128%. The prices paid by Lorillard increased with such trend. During 1981, Lorillard increased the wholesale price of its cigarettes by $1.70 per thousand in the aggregate.

Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 to the Consolidated Financial Statements for inventory costing methods.

Taxes: The prices of cigarettes include Federal excise taxes at the rate of $4.00 per thousand. Excise taxes on cigarettes, which are levied upon and paid by the distributors, are also in effect in the fifty states and the District of Columbia. Such taxes, including those imposed by many municipal taxing authorities, generally range from 2 cents to 23 cents per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, wrapping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina, and Louisville, Kentucky. The Greensboro plant, devoted exclusively to the manufacture of cigarettes, is located on approximately 79 acres and contains approximately 942,600 square feet. The Louisville plant, which consists of multi-storied buildings totaling about 800,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 2,000,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Lexington, Kentucky; Lancaster and Columbia, Pennsylvania; and Westby and Stoughton, Wisconsin. A modern research facility containing approximately 82,000 square feet is located at Greensboro. Lorillard leases executive offices at 666 Fifth Avenue, New York, New York 10103.

Competition: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total taxable factory removals of all cigarettes manufactured in the United States and total taxable factory removals of all cigarettes manufactured by Lorillard, indicates the relative position of Lorillard in the industry:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry**
1981	636,135,000	57,064,000	9.0%
1980	620,562,000	59,748,000	9.6%
1979	613,800,000	58,927,000	9.6%

*Source: Reports and bulletins of the Internal Revenue Service.

**The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1981, 1980 and 1979 Lorillard's share of the domestic market was 9.2%, 9.7% and 9.7%, respectively, based on estimated cigarette output by company.

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On the basis of information currently available, Lorillard ranks fifth among the major producers of tobacco products in the United States.

HOTEL DIVISION

The Company presently operates the following 13 hotels and motor hotels:

Name of Hotel	Location	Type	Number of Rooms*	Date Opened	Owned, Leased or Managed
Anatole	Dallas, Texas	Luxury Hotel	900	1979	Mgmt. Contract
Bermuda Beach	St. George, Bermuda	Resort Hotel	296	1971(1)	Owned
Harbour Cove	Paradise Island, Nassau, the Bahamas	Resort Hotel	250	1970(1)	Owned
Howard Johnson's Motor Lodge(2)	New York, New York	Motor Hotel	300	1962	Leased Land
L'Enfant Plaza	Washington, D.C.	Luxury Hotel	372	1973	Mgmt. Contract
Le Concorde	Quebec City, Canada	Luxury Hotel	434	1974	Mgmt. Contract
Montcalm	London, England	Luxury Hotel	112	1973(1)	Leased
Monte Carlo	Monte Carlo, Monaco	Resort Hotel	640	1975	Leased
Ramada Inn(2)	New York, New York	Motor Hotel	368	1962	Owned
Regency	New York, New York	Luxury Hotel	496	1963	Leased Land
Summit	New York, New York	First Class Hotel	781	1961	Owned
The Churchill	London, England	Luxury Hotel	489	1970	Leased
Westbury	Toronto, Canada	Luxury Hotel	546	1956(1)	Leased

*As of December 31, 1981.

(1) The Bermuda Beach and Harbour Cove Hotels have been owned by the Company since July 1981 and September 1980, respectively. The leases for the Montcalm and Westbury Hotels were acquired in 1977 and 1978, respectively.

(2) Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for the use of the respective trade names, trademarks and other rights.

The Company is actively engaged in seeking additional hotels in the United States, Europe and other areas and enters into management agreements and other arrangements for hotels as suitable locations are selected.

During 1981, the Company acquired the Bermuda Beach Hotel in Bermuda and sold the Drake Hotel in New York City and its leasehold interest in the Paradise Island Hotel and Villas in the Bahamas.

The Company's hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses. The hotel in Monte Carlo contains a casino.

The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $48,544,000 at interest rates ranging from 5.5 % to 8.1%, and maturing between 1983 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $48,010,000 at interest rates ranging from 5% to 9.5%.

The Company has leased to a joint venture the Sheraton Centre and the Sheraton City Squire Inn, in New York City, for terms expiring in 2002 and 2000, respectively. The leases, which are guaranteed by American Airlines, Inc. and Sheraton Corporation, provide for payment of fixed aggregate annual rent and a percentage rental with maximum fixed annual and percentage rents.

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Competition from other hotels, motor hotels and inns, including facilities owned by local interests and by national and international chains, is vigorous in all areas in which the Company operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. As reported by "Institutions," a trade publication, the Company's hotel division ranked 21st among the world's largest hotel organizations at the end of 1980. Because of the competitive nature of the industry, hotel and motor hotel operations must make continuing expenditures for updating, refurnishing and repairs and maintenance, in order to prevent competitive obsolescence.

THEATRE DIVISION

The Company's theatres exhibit feature motion pictures and, occasionally, accompanying short subjects, which are licensed for exhibition by film distributors.

The Company operates 160 motion picture theatre screens located in 27 cities or towns in 8 states. The 160 screens are contained in 62 facilities, of which 19 are owned and 43 are leased. All are conventional theatres. The theatres operated vary in size and include suburban theatres and large, deluxe "showcase" theatres.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of films. In general, the selection of films is determined by community preference, availability and terms. Films are licensed on a picture by picture and theatre by theatre basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy, ice cream products and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales. The Company also receives revenues from coin-operated video game machines located in its theatres.

In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The theatres owned by the Company, some of which also contain commercial properties, are subject to mortgage liens securing indebtedness aggregating approximately $1,844,000, at December 31, 1981, at interest rates ranging from 7¼% to 9¾%, and maturing between 1990 and 1993. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $5,748,000, at interest rates ranging from 5¾% to 12%.

During the year ended December 31, 1981, the Company acquired or completed construction of six facilities with a total of twenty-five screens. The operation of five facilities with eight screens was discontinued.

The business of motion picture exhibition is highly competitive. The Company is one of many theatre chains in the United States. The Company operates theatres in certain areas of the country which are heavily saturated with theatres of various national and local exhibitors. The Company faces intense competition from locally significant competitors in obtaining quality films. The Company's film exhibition business is confronted with competition from television, including pay cable, motion picture home video cassettes and other forms of home entertainment, all of which have continued to increase in significance. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

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BULOVA WATCH COMPANY, INC.

Bulova's consumer products segment manufactures and sells watches and clocks for consumer use, timepiece parts and power cells. Its industrial and defense products segment manufactures and sells fuzes for national defense.

Consumer Products: Bulova manufactures and sells quartz-crystal watches with analog and liquid crystal display, jeweled-lever watches and various types of clocks. Bulova has begun to phase out its movement production, which is carried on in its Swiss plants. As a result, commencing in 1983, Bulova's purchases of movements from foreign suppliers is expected to increase. Watches are sold by Bulova principally in the United States, Canada and Italy. In most other areas of the world, Bulova has appointed an exclusive distributor for the sale of watches bearing Bulova's trademarks and has granted to such distributor a license to sell watches manufactured by others under Bulova's trademark.

The consumer products business is seasonal, with the greatest sales coming in the third and fourth quarters in expectation of the Christmas selling season. The consumer products business is intensely competitive. The principal methods of competition are price, aftersale service, warranty, product performance and styling.

Industrial and Defense Products: The principal products of this segment are fuzes for national defense sold to the United States Government. These sales accounted for approximately 99% of the sales of this segment and approximately 16% of Bulova's total sales in 1981. In January 1981, Bulova disposed of the portion of this segment which manufactured and sold frequency control and other electronic components.

The backlog of defense business amounted to $36.1 million as of December 31, 1981, compared with $29.7 million as of December 31, 1980. Of the current backlog, $5.8 million is not reasonably expected to be filled during the current fiscal year.

The defense business is intensely competitive. The principal methods of competition are price and product performance. Defense business represents mostly competitive fixed-price contracts awarded by the United States Government.

Patents, Research and Development: Bulova has various United States and foreign patents expiring between 1982 and 1998 and various pending patent applications. For the years ended December 31, 1981 and 1980 and the nine months ended December 31, 1979 Bulova spent approximately $1.7 million, $1.8 million and $1.8 million, respectively, on research activities relating to the development of new and improved consumer products.

Properties: Bulova's principal executive offices are located in a 385,000 square foot watch casing plant in Jackson Heights, New York. Bulova's other principal properties include two plants for the manufacture of watch cases in Providence, Rhode Island aggregating approximately 150,000 square feet, one of which, containing approximately 30,000 square feet, is subject to a contract of sale; two plants for the manufacture of watch movements in Bienne, Switzerland aggregating approximately 135,000 square feet and other plants in Toronto, Canada (watch and clock assembly), and the United States Virgin Islands (watch movement assembly). A plant in Villers-le-Lac, France (tool, die and watch part manufacture) has been leased to a third party under an agreement expiring December 31, 1984. All the foregoing plants are owned by Bulova or its subsidiaries. In addition, Bulova leases a plant in Valley Stream, New York (defense products manufacture, 133,000 square feet) which is owned by Bulova's Employees' Retirement Plan Trust.

OTHER INTERESTS

The Company owns the land under an office building containing approximately 2,000,000 square feet of office and commercial space, and a commercial and office building in New York City.

During 1981 the Company sold certain subsidiaries, whose principal assets are two commercial and residential buildings in New York City, and its leasehold interest in a commercial building in Los Angeles.

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EMPLOYEE RELATIONS

The Company, exclusive of CNA and Bulova and their respective subsidiaries, employed approximately 11,000 persons at December 31, 1981. A substantial number of such personnel is represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed. The Company considers its employee relations to be satisfactory.

The Company maintains a retirement plan, group life, disability and health insurance program, and a savings plan for its salaried employees. The Company has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants with the Tobacco Workers International Union, the International Brotherhood of Fireman and Oilers, and the International Association of Machinists. The Company has a retirement plan, a deferred profit sharing plan and other benefits for the hourly paid employees of the Lorillard Division who are represented by the foregoing unions.

CNA and its subsidiaries employ approximately 14,000 persons and have experienced satisfactory labor relations, with no work stoppages due to labor disagreements. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees including a retirement plan, a savings plan, a disability program and a group health care program.

Bulova and its subsidiaries employ approximately 3,150 persons approximately 1,350 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all employees.

Item 2. Properties.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1.

Item 3. Legal Proceedings.

Lorillard: 1. By decree dated November 16, 1911 of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America* v. *The American Tobacco Company and others*, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (i) making transfers of its property to any other of those corporations, (ii) making any agreements of types deemed anti-competitive with any other of those corporations, (iii) holding stock in a corporation whose stock is also held by another of those corporations and (iv) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

2. The Company and other leading tobacco manufacturers have been the subject from time to time, of actions and claims seeking damages for cancer and other health effects claimed to have resulted from tobacco use. Presently pending actions include cross-complaints served on the Company in ten similar actions in the California state or federal courts and twenty-one similar actions in the federal courts in Texas by one or more of the defendants in such actions. In these actions plaintiffs allege that they have sustained personal injury as a result of exposure to asbestos-containing products manufactured and sold by the defendants and others. Each cross-complainant is seeking indemnification in unspecified amounts and declaratory relief from the Company and other tobacco companies for any liability imposed on it, claiming that plaintiffs' injuries, if any, were caused or contributed to by exposure to cigarette smoke. The cross-complaints against the Company are in preliminary stages; however, the underlying cases have been pending for some time and are in more advanced stages. Presently pending actions also include an unrelated direct action by an individual in the federal court in California against the Company and other tobacco companies seeking damages for personal injury as a result of cigarette smoking. This action is in a preliminary stage.

The Company intends to defend vigorously all such actions brought against it.

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Theatres: Under a Consent Judgment entered in the United States District Court for the Southern District of New York in 1952, in *United States* v. *Loew's Incorporated, et al.*, the Company was prohibited from, among other things, engaging in the distribution of motion pictures and acquiring theatres, except upon a showing to the court that any such acquisition would not unduly restrain competition. On February 27, 1980 the Consent Judgment was modified (i) to permit the Company to acquire theatres without court approval, with the exception of certain specified markets where such approval will continue to be required for acquisition of certain existing theatres until February 27, 1990, and (ii) to permit the Company to engage in the distribution of motion pictures subject to restrictions imposed on eight motion picture distributors by various decrees entered in *United States* v. *Paramount et al.* and *United States* v. *Loew's Incorporated et al.*, provided that motion pictures produced or distributed by the Company may not be exhibited in the Company's theatres. Among other things, such decrees provide that pictures of such distributors must be offered and licensed to exhibitors picture by picture and theatre by theatre.

Other: 1. An action commenced in July 1978 in the federal court in New York by the Federal Deposit Insurance Corporation ("FDIC"), and an action commenced in August 1978 in the state court in New York by the Trustee in Bankruptcy of Franklin New York Corporation ("FNYC") against the Company, two of its subsidiaries and Laurence A. Tisch (the "Defendants"), previously reported, were settled in 1982. The complaints in each action alleged breach of fiduciary duty, including asserted misuse of inside information by the Defendants, the sale by the subsidiaries of one million shares of FNYC common stock to a corporation controlled by Michele Sindona allegedly resulting in substantial damage to Franklin National Bank ("FNB"), a subsidiary of FNYC, and the receipt by the subsidiaries of an alleged premium in such sale. In connection with the Company's investment in FNYC Mr. Tisch served as a director of FNYC and FNB. The settlement agreement, while disclaiming any wrongdoing or liability on the part of the Defendants, provides for the payment of $1,200,000 by the Defendants in order to avoid further expense and protracted litigation.

2. In February 1980 a purported class action, *Clegg, et al.* v. *Loews Corporation, et al.*, was commenced in the Superior Court of the State of California, County of San Francisco, by owners of townhouses in a project in South San Francisco, California known as Westborough Greens. The Second Amended Complaint filed in August 1980 named as defendants the Company, certain of its residential development subsidiaries and others. The plaintiffs allege numerous latent and other defects in the townhouses and failure to comply with applicable seismic and fire codes. The Second Amended Complaint seeks compensatory damages of at least $20,000,000, punitive damages of $100,000,000, and an injunction requiring the defendants to repair the alleged defects, based on theories of negligence, strict liability, breach of implied warranty of merchantability, negligent misrepresentation, fraud, false advertising and unfair business practices in violation of California law. The Company denies liability. This action is in a preliminary stage. The Company has asserted claims against certain subcontractors, the City of San Francisco, California and others, including insurance carriers, relating to this matter.

Item 4. Security Ownership of Certain Beneficial Owners and Management:

(a) The following table contains certain information as to all persons who, to the knowledge of Registrant, were the beneficial owners of 5% or more of the Common Stock of Registrant. Except as set forth below, this information is as of February 28, 1982 and each such person has sole voting and investment power with respect to the shares set forth:

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Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
Laurence A. Tisch 666 Fifth Avenue New York, NY 10103	Common Stock	2,663,607(1)(2)	21.6%
Preston R. Tisch 666 Fifth Avenue New York, NY 10103	Common Stock	2,518,271(1)	20.4%
American Financial Corporation One East Fourth Street Cincinnati, Ohio 45202	Common Stock	637,101(3)	5.1%

(1) Laurence A. Tisch is Chairman of the Board and Chief Executive Officer of Registrant and Preston R. Tisch is President and Chief Operating Officer of the Registrant. The Messrs. Tisch are brothers and may be deemed to be control persons of Registrant.

(2) Includes 145,336 shares of Common Stock of Registrant, constituting approximately 1.2% of the outstanding shares of Common Stock of Registrant, which Laurence A. Tisch holds as trustee of trusts for the benefit of the children of Preston R. Tisch. As trustee, Laurence A. Tisch has sole voting and investment power with respect to such shares. Laurence A. Tisch disclaims any beneficial interest in shares held by such trusts.

(3) Registrant has been advised that as of December 31, 1981 American Financial Corporation ("AFC") had sole voting and investment power with respect to 33,900 shares of Common Stock owned by it, and shared investment power and no voting power with respect to 603,201 shares of Common Stock owned by its direct or indirect wholly-owned subsidiaries. The Company has been further advised that Carl H. Lindner, beneficial owner of 56% of AFC's Common Stock and Chairman of the Board and President of AFC, may be deemed to share investment power with respect to the foregoing shares of Common Stock.

(b) The following table sets forth certain information as to the shares of Common Stock beneficially owned by each director and by all officers and directors of Registrant as a group at February 28, 1982, based on data furnished by them.

Name	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Charles B. Benenson	42,650(2)	*
Curtis H. Judge	2,017	*
Robert B. McKay	200	*
John F. Murphy	20,360	*
Bernard Myerson	36,600(3)	*
Edward J. Noha	100(4)	*
Lester Pollack	7,637(5)	*
Alfred P. Slaner	9,250(6)	*
Laurence A. Tisch	2,663,607(7)	21.6%
Preston R. Tisch	2,518,271	20.4%
All officers and directors as a group (21 persons including those listed above)	5,374,832	43.6%

*Represents less than 1% of the outstanding shares of Common Stock.

(1) Except as otherwise indicated the persons listed as beneficial owners of the shares have sole voting and investment power with respect to such shares.

(2) These shares are owned by a partnership in which a revocable trust created by Mr. Benenson has a 75% interest and of which Mr. Benenson is general manager. In addition, the partnership owns 10,000 shares of common stock of CNA. Mr. Benenson has shared voting and investment power with respect to the Common Stock and CNA common stock owned by such partnership.

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(3) In addition, Mr. Myerson's wife owns 8,500 shares of Common Stock as to which Mr. Myerson disclaims any beneficial interest.

(4) In addition, Mr. Noha owns beneficially 60,200 shares of CNA common stock and 200 shares of CNA Series A preferred stock.

(5) Includes 402 shares of Common Stock owned by Mr. Pollack's children as to which Mr. Pollack disclaims any beneficial interest.

(6) Includes 2,250 shares of Common Stock owned by a family corporation as to which Mr. Slaner has shared voting and investment power. In addition 1,225 shares are owned by trusts for the benefit of Mr. Slaner's children or by his wife, as to which Mr. Slaner disclaims any beneficial interest.

(7) Includes 145,336 shares of Common Stock held by Laurence A. Tisch as trustee. See Note 2 of Item 4.(a) above.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices Held	Age	First Became Officer
Kenneth Abrams	Vice President	48	1975
Gerald Diamond	Vice President	66	1972
Robert J. Hausman	Vice President	58	1973
Barry Hirsch	Vice President and Secretary	48	1971
Herbert C. Hofmann	Vice President	39	1979
Harry Katz	Controller	55	1974
Bernard Myerson	Executive Vice President	64	1963
Roy E. Posner	Vice President	48	1973
Arthur J. Raporte	Vice President	64	1960
Stephen F. Schwartz	Vice President	41	1980
Charles G. Sposato, Jr	Treasurer	54	1981
James S. Tisch	Vice President	29	1981
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	59	1959
Preston R. Tisch	President and Chief Operating Officer	55	1960

Laurence A. Tisch and Preston R. Tisch are brothers, and James S. Tisch is the son of Laurence A. Tisch. None of the other officers or directors of Registrant is related to any other. All executive officers of Registrant have been engaged actively and continuously in the business of Registrant and its predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

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PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters.

Information relating to this item is included on page 1 of the accompanying 1981 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. Selected Financial Data.

The selected financial data appearing on page 1 of the accompanying 1981 Annual Report to Shareholders are incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations appearing on pages 10 through 12 of the accompanying 1981 Annual Report to Shareholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements appearing on pages 14 through 39 of the accompanying 1981 Annual Report to Shareholders are incorporated herein by reference.

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to regulation 14A.

PART IV

Item 11. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) 1. Financial Statements:

The financial statements appearing on pages 14 through 39 of the accompanying 1981 Annual Report to Shareholders are incorporated herein by reference. The following additional financial data should be read in conjunction with the financial statements in the 1981 Annual Report to Shareholders. Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes to consolidated financial statements.

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2. Financial statement schedules:

	Page Number
Auditors' Opinion	L-1
Loews Corporation and Subsidiaries:	
Schedule I—Summary of investments for the years ended December 31, 1981 and 1980	L-2
Schedule II—Amounts receivable from related parties and underwriters, promoters and employees other than related parties for the years ended December 31, 1981, 1980 and 1979.	L-3
Schedule III—Condensed financial information of Registrant for the years ended December 31, 1981, 1980 and 1979	L-4
Schedule VIII—Valuation and qualifying accounts for the years ended December 31, 1981, 1980 and 1979	L-8
Schedule IX—Short-term borrowings for the years ended December 31, 1981, 1980 and 1979	L-9
Schedule X—Supplementary income statement information for the years ended December 31, 1981, 1980 and 1979	L-10

3. Exhibits:

Description	Exhibit Number
(3) Articles of Incorporation and By-Laws	
Articles of Incorporation of the Registrant as amended to date, incorporated by reference to Exhibits 3 (a) and 3 (c) to Registrant's Registration Statement No. 2-38902	3.01
By-Laws of the Registrant as amended to date, incorporated by reference to Exhibit 3.02 to Registrant's Report on Form 10-K for the year ended December 31, 1980	3.02
(4) Instruments Defining the Rights of Security Holders, Including Indentures	
The Registrant hereby agrees to furnish to the Commission upon request copies of instruments with respect to long-term debt, pursuant to Item 7(b)(4)(c) of Regulation S-K.	
(10) Material Contracts	
Employment Agreement dated March 1, 1971 as amended through June 16, 1981 between Registrant and Laurence A. Tisch	10.01
Employment Agreement dated March 1, 1971 as amended through June 16, 1981 between Registrant and Preston R. Tisch	10.02
Employment Agreement dated June 1, 1976 as amended through July 1, 1981 between a subsidiary of Registrant and Curtis H. Judge	10.03
Employment Agreement dated March 1, 1971 as amended through July 1, 1981 between Registrant and Bernard Myerson	10.04
(11) Statement Re Computation of Per Share Earnings	
Computation of earnings per share assuming full dilution for the years ended December 31, 1981, 1980 and 1979	11.01
(13) Annual Report to Security Holders	
Registrant's 1981 Annual Report to security holders. Except for those portions of such report which are expressly incorporated by reference in this Form 10-K, such report is furnished for the information of the Commission and is not deemed "filed" as part of this filing	13.01
(22) Subsidiaries of the Registrant	
List of subsidiaries of Registrant	22.01

(b) Reports on Form 8-K:

There were no reports on Form 8-K for the three months ended December 31, 1981.

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SIGNATURES

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.

LOEWS CORPORATION

Dated: March 25, 1982

By ROY E. POSNER
(Roy E. Posner, Vice President—Financial Services)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 25, 1982

By LAURENCE A. TISCH
(Laurence A. Tisch, Chairman of the Board and Principal Executive Officer)

Dated: March 25, 1982

By ROY E. POSNER
(Roy E. Posner, Vice President—Financial Services, Principal Financial Officer)

Dated: March 25, 1982

By HARRY KATZ
(Harry Katz, Controller)

Dated: March 25, 1982

By CHARLES B. BENENSON
(Charles B. Benenson, Director)

Dated: March 25, 1982

By CURTIS H. JUDGE
(Curtis H. Judge, Director)

Dated: March 25, 1982

By ROBERT B. MCKAY
(Robert B. McKay, Director)

Dated: March 25, 1982

By JOHN F. MURPHY
(John F. Murphy, Director)

Dated: March 25, 1982

By BERNARD MYERSON
(Bernard Myerson, Director)

Dated: March 25, 1982

By EDWARD J. NOHA
(Edward J. Noha, Director)

Dated: March 25, 1982

By LESTER POLLACK
(Lester Pollack, Director)

Dated: March 25, 1982

By ALFRED P. SLANER
(Alfred P. Slaner, Director)

Dated: March 25, 1982

By PRESTON R. TISCH
(Preston R. Tisch, Director)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Year Ended December 31, 1982

Commission File Number 1-6541

LOEWS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue New York, N.Y. (Address of principal executive offices)	10103 (Zip Code)

(212) 841-1000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No _____

As at February 24, 1983, 11,235,311 shares of Common Stock of the Registrant were outstanding and the aggregate market value of voting stock held by non-affiliates was approximately $1,008,200,000.

Documents Incorporated by Reference

Portions of the Loews Corporation 1982 Annual Report to Shareholders are incorporated by reference into Parts I and II. With the exception of those portions which are incorporated by reference in this Annual Report on Form 10-K, the Loews Corporation 1982 Annual Report to Shareholders is not deemed filed as part of this Report.

Portions of the Loews Corporation Notice of Annual Meeting of Stockholders and Proxy Statement dated March 25, 1983 are incorporated by reference into Part III. (Registrant intends to file a definitive proxy statement with the Commission prior to April 30, 1983.)

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LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON
FORM 10-K FILED WITH THE
SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 1982

PART I

Item No.		Page No.
1	BUSINESS	2
	CNA Financial Corporation	2
	Lorillard Division	6
	Hotel Division	9
	Theatre Division	10
	Bulova Watch Company, Inc.	11
	Other Interests	11
2	PROPERTIES	12
3	LEGAL PROCEEDINGS	12
4	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	13
	EXECUTIVE OFFICERS OF THE REGISTRANT	13

PART II

5	MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS	13
6	SELECTED FINANCIAL DATA	13
7	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	14
8	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	14
9	DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	14

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

PART IV

13	EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K	14

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PART I

Item 1. Business.

Loews Corporation (hereinafter, together with its subsidiaries, referred to as the "Company" or the "Registrant"), primarily through its subsidiaries, is engaged in the production and sales of cigarettes; the operation of hotels; the exhibition of motion pictures; through its approximately 87% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life) and consumer finance; and through its approximately 95% ownership of Bulova Watch Company, Inc. ("Bulova"), the production and sales of watches and other timing devices.

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained on pages 8 and 9 in the accompanying 1982 Annual Report to Shareholders.

CNA FINANCIAL CORPORATION

CNA's principal business is insurance. As a multiple-line insurer, CNA underwrites property, casualty, life, and accident and health coverages. CNA's principal market for insurance is the United States. CNA's foreign operations are not significant. CNA is also engaged in the consumer finance business which is conducted by General Finance Corporation ("General Finance"). CNA also has interests in a dental equipment and supply company.

CNA's property and casualty insurance operations are conducted by Continental Casualty Company and its casualty insurance affiliates, and its life insurance operations are conducted primarily by Continental Assurance Company.

The tabular information relating to CNA on pages 3 through 6 of this Report is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisition of CNA shares.

PROPERTY AND CASUALTY INSURANCE

CNA's property and casualty insurance operation markets commercial and personal lines of property and casualty insurance through approximately 36,000 independent agents and brokers. Personal lines primarily consist of automobile and homeowner's insurance. Commercial business includes such lines as workers' compensation, general liability, multiple peril, professional and specialty, and reinsurance.

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The following table sets forth supplemental data for the property and casualty business:

	Years Ended December 31,		
	1982	1981	1980
	(In millions of dollars)		
Commercial Premiums Earned			
Workers' compensation	$ 346.0	$ 332.1	$ 404.2
General liability	244.5	246.8	232.6
Multiple peril	138.4	147.5	160.1
Professional and specialty	180.6	169.8	174.2
Reinsurance	130.1	124.3	129.5
Accident and health	105.8	111.8	15.4(a)
Other	61.0	130.8	112.6
	$1,206.4	$1,263.1	$1,228.6
Personal Premiums Earned			
Private passenger	$ 167.0	$ 145.7	$ 103.3
Personal property	85.7	82.5	72.6
Accident and health	61.6	69.9	14.7(a)
Other	3.8	3.3	2.5
	$ 318.1	$ 301.4	$ 193.1
Investment Income			
Commercial	$ 328.5	$ 308.8	$ 208.1
Personal	35.3	28.9	21.5
	$ 363.8	$ 337.7	$ 229.6
Other Data (b)			
Statutory capital and surplus	$ 999.1	$1,009.6	$ 854.3
Written to surplus ratio	1.5	1.5	1.7
Trade Ratios (b)(c)			
Loss ratio	87.9%	80.8%	78.7%
Expense ratio	28.5%	30.9%	27.9%
Combined ratio (before policyholder dividends)	116.4%	111.7%	106.6%
Policyholder dividend ratio	1.8%	1.9%	1.8%

(a) Pursuant to a Quota Share Reinsurance Agreement in effect prior to 1981, Continental Casualty Company ceded 85% of its accident and health premiums to Continental Assurance Company. This agreement provided for cession of earned premiums, claims and claim expenses based on pro rata participation in the related business and a ceding commission dependent on claim experience. The assets and liabilities related to this business remained with the ceding company.

(b) Other Data and Trade Ratios are on the basis of statutory accounting principles and reflect capital contributions from CNA of $121.4 million and $121.7 million for 1981 and 1980, respectively, and reductions in operating expenses in the amounts of $56.8, $39.2 and $32.9 million in 1982, 1981 and 1980, respectively, resulting from the discontinuance of general management and administrative expense allocations from CNA.

(c) Trade Ratios are a measure of property and casualty underwriting profitability. The combined ratio is the sum of the loss ratio and the expense ratio. The loss ratio is the percentage of incurred losses to premiums earned. The expense ratio is the percentage of statutory underwriting expenses to premiums written and the policyholder dividend ratio is the ratio of such dividends to premiums earned.

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LIFE INSURANCE

CNA's life insurance operation markets individual and group insurance products through approximately 27,000 licensed agents, most of whom are independent contractors, who sell life insurance for CNA and for other companies on a commission basis. Individual insurance products including life, accident and health and annuity products are sold to individuals and small businesses. Group insurance products including life, accident and health insurance, and pension products are sold to employers, employer associations and trusts ranging in size from small local employers to large multi-national corporations.

The following table sets forth supplemental data for the life insurance business:

	Years Ended December 31,		
	1982	1981	1980
	(In millions of dollars)		
Individual Premiums			
Life	$ 176.7	$ 177.2	$ 178.6
Accident and health	16.8	16.9	84.1(a)
Annuities (b)	1.3	1.8	2.9
	$ 194.8	$ 195.9	$ 265.6
Group Premiums			
Life	$ 100.6	$ 110.9	$ 105.4
Accident and health	636.6	576.1	582.6(a)
Annuities	75.1	18.2	10.0
	$ 812.3	$ 705.2	$ 698.0
Investment and Other Income			
Individual	$ 103.7	$ 98.7	$ 92.4
Group	100.5	97.0	102.5
	$ 204.2	$ 195.7	$ 194.9
Gross Life Insurance in Force			
Individual	$15,900	$14,131	$12,450
Group	17,216	17,068	16,705
	$33,116	$31,199	$29,155
Other Data (c)			
Statutory capital and surplus	$ 304.5	$ 265.8	$ 237.5
Statutory capital and surplus—percent of total liabilities	14.0%	12.7%	11.4%
Participating policyholders—percent of gross life insurance in force	14.7%	16.3%	17.3%

(a) For information with respect to the Quota Share Reinsurance Agreement in effect prior to 1981, see note (a) of the table for property and casualty business.

(b) Group annuity premiums include $64.2 and $10.9 million in 1982 and 1981, respectively, of single premium annuities purchased by casualty insurance affiliates covering claims settled on a periodic payment basis.

(c) Other Data is on the basis of statutory accounting principles and reflects a $44.0 million capital contribution from CNA in 1981 and reductions in operating expenses in the amounts of $24.7, $19.3 and $14.6 million in 1982, 1981 and 1980, respectively, resulting from the discontinuance of general management and administrative expense allocations from CNA.

Statutory capital and surplus as a percent of total liabilities is determined after excluding separate account balances from liabilities.

The lapse ratio is for terminations after the first year and is calculated on the basis of current year terminations (other than death or maturity) and life insurance in force at the beginning of the year plus new issues during the preceding year.

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Reinsurance: CNA's insurance operations assume and cede insurance from and to other insurers. Reinsurance arrangements are utilized to limit maximum loss, provide greater diversification of risk and minimize exposures on larger risks. The ceding of insurance does not discharge the primary liability of the original insurer. It is the practice of insurers to treat the portion of the risks which have been reinsured with other companies as though they were risks for which the original insurer is not liable.

Competition: All aspects of the insurance business are highly competitive. CNA's insurance operations compete with a large number of stock and mutual insurance companies and other entities for both producers and customers and must continuously allocate resources to refine and improve their insurance products and services. Based on net premiums written in 1981, Continental Casualty Company is ranked 16th among 3,000 companies writing property and casualty insurance in the United States. Continental Assurance Company is ranked 23rd among 2,000 life insurance companies in the United States, based on premium income in 1981.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision throughout the United States. Each state has established supervisory agencies with broad administrative powers relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, fixing minimum interest rates for accumulation of surrender values and maximum interest rates of policy loans, prescribing the form and content of statutory financial reports and regulating the type and amount of investments permitted. Regulatory powers also extend to premium rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory. Current and proposed Federal measures which may significantly affect the insurance business include amendments to the McCarran-Ferguson Act, pension regulation (ERISA), rate classification legislation and controls on medical care costs.

In addition, insurance holding company laws of several states grant power to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information, and to regulate certain transactions with affiliates. Generally, the declaration of dividends by an insurance company subsidiary to its parent in excess of specified minimum amounts is subject to regulatory approvals. In addition, material intercompany transactions involving insurance company subsidiaries may also be subject to regulatory approvals.

Properties: CNA Plaza, owned by Continental Assurance Company, is a 1,097,000 square foot office complex located at 333 S. Wabash, Chicago, Illinois. The forty-five story office building serves as the Home Office for CNA and its insurance affiliates. CNA Plaza and the adjacent building (a 454,000 square foot building located at 55 E. Jackson Blvd.) are partially situated on grounds under leases expiring in 2058 and 2067. Approximately 61% of the adjacent building is rented to non-affiliates.

CNA also maintains four regional offices and thirty-one branch offices in major cities throughout the United States. This office space is leased except for offices located in three CNA-owned buildings.

CONSUMER FINANCE

General Finance makes direct installment loans to individuals, and acquires automobile finance contracts from automobile dealers. Direct installment loans (personal loans) account for the largest portion of the business and are extended for the purchase of goods for the home, payment of medical bills, tuition, vacation, and other personal needs. In connection with its financing activities, Mid-States Life Insurance Company of America, a wholly-owned subsidiary, reinsures credit life and disability insurance purchased by General Finance customers from Continental Assurance Company. Fire and property insurance also is offered to insure collateral on secured loans made to customers.

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The following table sets forth supplemental data relating to the consumer finance business:

	Years Ended December 31,		
	1982	1981	1980
Personal Loans			
Number of accounts outstanding (in thousands)	267.8	319.3	417.6
Receivables outstanding (in millions)	$358.4	$371.5	$458.1
Average outstanding loan	$1,630	$1,338	$1,097
Volume (in millions)	$257.0	$265.5	$359.7
Average new loan	$1,763	$1,592	$1,386
Sales Finance Contracts			
Number of accounts outstanding (in thousands)	10.0	36.7	78.6
Receivables outstanding (in millions)	$ 4.8	$ 14.8	$ 36.8
Average outstanding loan	$ 486	$ 402	$ 468
Volume (in millions)	$ 3.4	$ 24.7	$ 49.7
Average new loan	$1,109	$ 693	$ 651
Automobile Loans			
Number of accounts outstanding (in thousands)	34.1	29.8	28.2
Receivables outstanding (in millions)	$129.4	$ 98.9	$ 92.0
Average outstanding loan	$3,795	$3,319	$3,261
Volume (in millions)	$120.7	$ 82.5	$ 84.2
Average new loan	$5,531	$4,839	$4,545
Other Data			
Number of branch offices	328	376	503
Insurance premiums and commissions (in millions)	$ 36.8	$ 35.8	$ 33.3
Average Interest Rates on Borrowings			
Short-term	13.3%	16.7%	12.6%
Long-term	9.8%	10.5%	8.9%
All debt	11.0%	12.3%	10.7%

Personal loans receivable outstanding and volume information is net, after deducting unearned finance charges. Outstanding and volume information on sales finance and automobile contracts is on a gross basis, including unearned finance charges.

Competition: The consumer finance business is highly competitive. A large number of institutions, ranging from small single office businesses to large nationwide institutions, are engaged in the industry. Companies that finance the sales of their own merchandise, banks, savings and loan associations, as well as a large number of other finance companies are competitors of General Finance. Based on receivables outstanding at the end of 1981, General Finance is ranked as the 12th largest independent consumer finance company in the United States.

Regulation: General Finance is subject to regulation by the states in which it operates, including regulation of maximum rates of interest which may be charged, maximum amount and maturity of credit and other terms and conditions of the transaction, and disclosure of the debtor of certain terms of the transaction. Consumer credit transactions and credit advertising are subject to the Federal Consumer Credit Protection Act.

Properties: General Finance leases its home office building at 1301 Central Avenue in Evanston, Illinois, and conducts consumer finance activities through 328 offices, all of which are leased, in 16 states.

LORILLARD DIVISION

Sales of cigarettes account for approximately 97% of the net sales of the Lorillard Division ("Lorillard"). The principal cigarette brand names of Lorillard are Kent, Kent III, Golden Lights, Newport, True, Triumph, Max and Old Gold. Satin, a new cigarette brand, is currently being introduced on a national basis. Other tobacco products include little cigars, small cigars and chewing tobacco.

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Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. Introduction of new brands, brand extensions and packings require the expenditures of substantial sums for advertising and sales promotion, with no assurance of consumer acceptance. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for chewing tobacco, radio and television. Sales promotion activities are conducted by distribution of samples and store coupons, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast anti-smoking messages and the Federal Communications Commission has determined that the "fairness doctrine," requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues, creates no right to reply to such messages. Federal law requires that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health". Lorillard and the other cigarette manufacturers have agreed, pursuant to consent orders entered into with the Federal Trade Commission ("Commission"), to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner. The Company understands that the Commission is conducting investigations into advertising, marketing and distribution by the cigarette industry.

Several states, counties, municipalities, and Federal and state agencies have enacted or are considering legislation and regulations intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places, and to prohibit or restrict the sampling of cigarettes in public places. From time to time, bills have been introduced in Congress, among other things, to end or limit price supports for leaf tobacco; to provide that cigarette advertising not be a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Commission to promulgate standards establishing maximum acceptable levels of "tar," nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for health research; to require that cigarettes be manufactured in a manner that will cause them, under certain circumstances, to be self-extinguishing; and to revise the health warning statement contained on cigarette packages and in cigarette advertising and to disclose the ingredients used in the manufacture of cigarettes.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets, and through chain store organizations and vending machine operators, many of whom purchase their requirements directly. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco and burley tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions. Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and other near eastern countries and uses seed leaf tobacco, grown mostly in Wisconsin and Pennsylvania, for use in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives. In addition, Lorillard purchases substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

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Due to the varying size and quality of annual crops and other economic factors, tobacco prices in the past have been subjected to wide fluctuations. Among the economic factors are Federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1982, the average auction price per pound for flue-cured tobacco increased from a low of approximately 88.1 cents to a high of approximately $1.786, or 103%. During this period, the average auction price per pound for burley increased from a low of approximately 92.9 cents in 1973 to a high of approximately $1.801 in 1982, or 94%. The prices paid by Lorillard increased with such trend. During 1982, Lorillard increased the wholesale price of its king size cigarettes by $6.00 per thousand, and its 100 and 120 millimeter cigarettes by $6.50 per thousand, in the aggregate.

Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 to the Consolidated Financial Statements for inventory costing method.

Taxes: Commencing January 1, 1983, Federal excise taxes included in the price of cigarettes have been increased from $4.00 to $8.00 per thousand. Unless extended, the increase will expire on December 31, 1985. Excise taxes on cigarettes, which are levied upon and paid by the distributors, are also in effect in the fifty states, the District of Columbia and many municipalities. The state taxes generally range from 2 cents to 27 cents per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, wrapping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina, and Louisville, Kentucky. The Greensboro plant, devoted exclusively to the manufacture of cigarettes, is located on approximately 79 acres and contains approximately 942,600 square feet. The Louisville plant, which consists of multi-storied buildings totaling about 800,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 2,000,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Lexington, Kentucky; Lancaster and Columbia, Pennsylvania; and Westby and Stoughton, Wisconsin. A modern research facility containing approximately 82,000 square feet is located at Greensboro. Lorillard leases executive offices at 666 Fifth Avenue, New York, New York.

Competition: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total taxable factory removals of all cigarettes manufactured in the United States and total taxable factory removals of all cigarettes manufactured by Lorillard, indicates the relative position of Lorillard in the industry:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry**
1982	614,017,000	53,641,000	8.7%
1981	638,113,000	57,064,000	8.9%
1980	620,562,000	59,748,000	9.6%

*Source: Reports and bulletins of the Internal Revenue Service.

**The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1982, 1981 and 1980, Lorillard's share of the domestic market was 8.7%, 9.2% and 9.7%, respectively, based on estimated cigarette output by company.

On the basis of information currently available, Lorillard ranks fifth among the major producers of tobacco products in the United States.

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HOTEL DIVISION

The Company presently operates the following 12 hotels and motor hotels:

Name and Location	Type	Number of Rooms* (Date Opened)	Owned, Leased or Managed
Anatole Dallas, Texas	Luxury Hotel	900 (1979)	Management contract expiring 1999.
Bermuda Beach St. George, Bermuda	Resort Hotel	341 (1971(1))	Land lease expiring 2018 with renewal options for 48 years.
Harbour Cove Paradise Island, Nassau, the Bahamas	Resort Hotel	250 (1970(1))	Owned
Howard Johnson's Motor Lodge (2) New York, New York	Motor Hotel	300 (1962)	Land lease expiring 2012(3).
La Napoule La Napoule, France	Luxury Hotel	220 (1983)	Lease expiring 2003.
L'Enfant Plaza Washington, D.C.	Luxury Hotel	372 (1973)	Management contract expiring 1988(4).
Le Concorde Quebec City, Canada	Luxury Hotel	434 (1974)	Management contract expiring 2005 with renewal options for 18 years(4).
Monte Carlo Monte Carlo, Monaco	Resort Hotel	640 (1975)	Lease expiring 2002 with renewal options for 20 years.
Ramada Inn (2) New York, New York	Motor Hotel	368 (1962)	Owned
Regency New York, New York	Luxury Hotel	496 (1963)	Land lease expiring 1991 with renewal options for 69 years.
Summit New York, New York	First Class Hotel	781 (1961)	Owned
Westbury Toronto, Canada	Luxury Hotel	546 (1956(1))	Lease expiring 1998.

*As of December 31, 1982.

(1) The Harbour Cove Hotel was acquired by the Company in 1980. The leases for the Westbury and Bermuda Beach hotels were acquired in 1978 and 1981, respectively.

(2) Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for the use of the respective trade names, trademarks and other rights.

(3) The Company is obligated to purchase the land in 1986.

(4) These management contracts are subject to termination rights.

The hotels at La Napoule and Monte Carlo each include a casino operated by a joint venture in which the Company is a co-venturer. In addition, the Company's hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses.

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The Company has entered into management contracts to operate two additional hotels presently under construction, Loews Glenpointe, a 350-room luxury hotel in Teaneck, New Jersey and Loews Paradise Valley Resort, a 380-room resort hotel in Paradise Valley, Arizona.

On March 11, 1983, the Company sold the subsidiaries which operated the Churchill and Montcalm Hotels in London, England under long-term leases. See Note 19 to the Consolidated Financial Statements in the accompanying 1982 Annual Report to Shareholders.

The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $47,152,000, at interest rates ranging from 5.5% to 13%, and maturing between 1983 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $41,211,000, at interest rates ranging from 5% to 9.5%.

The Company has leased to a joint venture the Sheraton Centre and the Sheraton City Squire Inn, in New York City, for terms expiring in 2002 and 2000, respectively. The leases, which contain purchase options on the part of lessees, are guaranteed by American Airlines, Inc. and Sheraton Corporation and provide for payment of fixed aggregate annual rent and a percentage rental with provisions for maximum fixed annual and percentage rents.

Competition from other hotels, motor hotels and inns, including facilities owned by local interests and by national and international chains, is vigorous in all areas in which the Company operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. As reported by "Institutions," a trade publication, the Company's hotel division ranked 26th among the world's largest hotel organizations at the end of 1981. Because of the competitive nature of the industry, hotel and motor hotel operations must make continuing expenditures for updating, refurnishing and repairs and maintenance, in order to prevent competitive obsolescence.

THEATRE DIVISION

The Company's theatres exhibit feature motion pictures and, occasionally, accompanying short subjects, which are licensed for exhibition by film distributors.

The Company operates 175 motion picture theatre screens located in 28 cities or towns in 7 states. The 175 screens are contained in 64 facilities, of which 19 are owned and 45 are leased. All are conventional theatres and vary in size.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of films. In general, the selection of films is determined by community preference, availability and terms. Films are licensed on a picture-by-picture and theatre-by-theatre basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales. The Company also receives revenues from coin-operated video game machines located in most of its theatres.

In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The properties owned by the Company are subject to mortgage liens securing indebtedness aggregating approximately $1,866,000, at December 31, 1982, at interest rates ranging from 7.3% to 9.4%, and maturing between 1990 and 1997. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $5,217,000, at interest rates ranging from 5.8% to 12%.

During the year ended December 31, 1982, the Company acquired or completed construction of three facilities with a total of 17 screens. The operation of one facility with two screens was discontinued.

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The business of motion picture exhibition is highly competitive. The Company is one of many theatre chains in the United States. The Company operates theatres in certain areas of the country which are heavily saturated with theatres of various national and local exhibitors. The Company faces intense competition from locally significant competitors in obtaining films with wide appeal. The Company's film exhibition business is confronted with competition from television, including pay cable, motion picture home video cassettes and other forms of home entertainment, all of which have continued to increase in significance. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

BULOVA WATCH COMPANY, INC.

Bulova's consumer products segment distributes and sells watches and clocks for consumer use, timepiece parts and power cells. Its industrial and defense products segment manufactures and sells fuzes for national defense.

Consumer Products: Bulova distributes and sells quartz-crystal watches with analog and liquid crystal display, jeweled-lever watches and various types of clocks. Most watch movements and all clocks are purchased from foreign suppliers. As a result of a phase-out commenced in 1982, Bulova anticipates that its watch movement production will be terminated in 1983. Watches are sold by Bulova principally in the United States, Canada and Italy. In most other areas of the world, Bulova has appointed an exclusive distributor for the sale of watches bearing Bulova's trademarks and has granted to such distributor a license to sell watches manufactured by others under Bulova's trademark. The consumer products business is seasonal, with the greatest sales coming in the third and fourth quarters in expectation of the Christmas selling season. The consumer products business is intensely competitive. The principal methods of competition are price, after-sale service, warranty, product performance and styling.

Industrial and Defense Products: The principal products of this segment are fuzes for national defense sold to the United States government. These sales accounted for approximately 99% of the sales of this segment and approximately 26% of Bulova's total sales in 1982.

The backlog of defense products sales amounted to $44.4 million as of December 31, 1982 and $36.1 million as of December 31, 1981. The current backlog is expected to be filled during 1983.

The defense business is intensely competitive. The principal methods of competition are price and product performance. Defense business represents mostly competitive fixed-price contracts awarded by the United States government.

Patents, Research and Development: Bulova has various United States and foreign patents expiring between 1983 and 1999 and various pending patent applications.

Properties: Bulova's principal executive offices are located in a 385,000 square foot watch casing plant in Jackson Heights, New York. Bulova's other principal properties include a plant for the manufacture of watch cases in Providence, Rhode Island aggregating approximately 95,000 square feet; two plants for the manufacture of watch movements in Bienne, Switzerland aggregating approximately 135,000 square feet; and other plants in Toronto, Canada (watch and clock assembly) and the United States Virgin Islands (watch movement assembly). A plant in Villers-le-Lac, France (tool, die and watch part manufacture) has been leased to a third party under an agreement expiring December 31, 1984. All the foregoing plants are owned by Bulova or its subsidiaries. In addition, Bulova leases two plants in Valley Stream, New York consisting of 11,400 square feet and 133,400 square feet (the latter is owned by Bulova's Employees' Retirement Plan Trust) and a plant in Freeport, New York (62,000 square feet) for the manufacture of defense products.

OTHER INTERESTS

The Company owns the land under an office building containing approximately 2,000,000 square feet of office and commercial space and a commercial and office building, in New York City.

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EMPLOYEE RELATIONS

The Company, exclusive of CNA and Bulova and their respective subsidiaries, employed approximately 10,200 persons at December 31, 1982. A substantial number of such personnel is represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed. The Company considers its employee relations to be satisfactory.

The Company maintains a retirement plan, group life, disability and health insurance program, and a savings plan for its salaried employees. The Company has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The Company has a retirement plan, a deferred profit sharing plan and other benefits for the hourly-paid employees of the Lorillard Division who are represented by the foregoing unions.

CNA and its subsidiaries employ approximately 13,500 persons and have experienced satisfactory labor relations, with no work stoppages due to labor disagreements. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees including a retirement plan, a savings plan, a disability program and a group health care program.

Bulova and its subsidiaries employ approximately 2,550 persons approximately 1,150 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all employees.

Item 2. Properties.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1.

Item 3. Legal Proceedings.

Lorillard: 1. By decree dated November 16, 1911 of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America* v. *The American Tobacco Company and others*, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (i) making transfers of its property to any other of those corporations, (ii) making any agreements of types deemed anti-competitive with any other of those corporations, (iii) holding stock in a corporation whose stock is also held by another of those corporations and (iv) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

2. The Company and other leading tobacco manufacturers have been the subject from time to time, of actions and claims seeking damages for cancer and other health effects claimed to have resulted from tobacco use. The third party complaints by asbestos manufacturers against the Company and other tobacco companies, and the direct action against the Company and other tobacco companies seeking indemnification or damages for personal injuries alleged to have been caused or contributed to by exposure to cigarette smoking, referred to in the Company's Report on Form 10-K for the year ended December 31, 1981, have each been dismissed as against the Company. The Company intends to defend vigorously all such actions which may be brought against it.

Theatres: Under a Consent Judgment entered in the United States District Court for the Southern District of New York in 1952, in *United States* v. *Loew's Incorporated, et al.*, the Company was prohibited from, among other things, engaging in the distribution of motion pictures and acquiring theatres, except upon a showing to the court that any such acquisition would not unduly restrain competition. On February 27, 1980 the Consent Judgment was modified (i) to permit the Company to acquire theatres without court approval, with the exception of certain specified markets where such approval will continue to be required for acquisition of certain existing theatres until February 27, 1990, and (ii) to permit the Company to engage in the distribution of motion pictures subject to restrictions imposed on eight motion picture distributors by various decrees entered in *United States* v. *Paramount et al.* and *United States* v. *Loew's Incorporated et al.*, provided that motion pictures produced or distributed by the Company may not be exhibited in the Company's theatres. Among other things, such decrees provide that pictures of such distributors must be offered and licensed to exhibitors picture by picture and theatre by theatre.

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Other: In February 1980 a purported class action, *Clegg, et al. v. Loews Corporation, et al.*, was commenced in the Superior Court of the State of California, County of San Francisco, by owners of townhouses in a project in South San Francisco, California known as Westborough Greens. The Second Amended Complaint filed in August 1980 named as defendants the Company, certain of its subsidiaries and others. The plaintiffs allege numerous latent and other defects in the townhouses and failure to comply with applicable seismic and fire codes. The Second Amended Complaint seeks compensatory damages of at least $20,000,000, punitive damages of $100,000,000 and an injunction requiring the defendants to repair the alleged defects. In September 1982, the court ordered that a class action may proceed as to the alleged seismic, fire and gas line defects only, on theories of negligence, strict liability and breach of implied warranty of merchantability. The court denied class certification and dismissed from the class action all other claims of defects in the townhouses and all claims of fraud, misrepresentation, false advertising and unfair business practices. The Company denies liability. Discovery in this action is continuing. The Company has asserted claims against certain subcontractors, the City of South San Francisco, California and others, including insurance carriers, relating to this matter.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices held	Age	First Became Officer
Kenneth Abrams	Vice President	49	1975
Robert J. Hausman	Vice President	59	1973
Barry Hirsch	Vice President and Secretary	49	1971
Herbert C. Hofmann	Vice President	40	1979
Harry Katz	Controller	56	1974
Bernard Myerson	Executive Vice President	65	1963
Roy E. Posner	Vice President	49	1973
Stephen F. Schwartz	Vice President	42	1980
Charles G. Sposato, Jr	Treasurer	55	1981
James S. Tisch	Vice President	30	1981
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	60	1959
Preston R. Tisch	President and Chief Operating Officer	56	1960

Laurence A. Tisch and Preston R. Tisch are brothers, and James S. Tisch is the son of Laurence A. Tisch. None of the other officers or directors of Registrant is related to any other. All executive officers of Registrant have been engaged actively and continuously in the business of Registrant and its predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters.

Information relating to this item is included on page 1 of the accompanying 1982 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. Selected Financial Data.

The selected financial data appearing on page 1 of the accompanying 1982 Annual Report to Shareholders are incorporated herein by reference.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations appearing on pages 10 through 12 of the accompanying 1982 Annual Report to Shareholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements appearing on pages 14 through 31 of the accompanying 1982 Annual Report to Shareholders are incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to regulation 14A.

PART IV

Item 13. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial Statements:

The financial statements appearing on pages 14 through 31 of the accompanying 1982 Annual Report to Shareholders are incorporated herein by reference. The following additional financial data should be read in conjunction with the financial statements in the 1982 Annual Report to Shareholders. Schedules not included with these additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes to consolidated financial statements.

2. Financial Statement Schedules:

	Page Number
Auditors' Opinion	L-1
Loews Corporation and Subsidiaries:	
Schedule I—Summary of investments—other than investments in related parties as of December 31, 1982 and 1981	L-2
Schedule II—Amounts receivable from related parties and underwriters, promoters, and employees other than related parties for the years ended December 31, 1981 and 1980	L-3
Schedule III—Condensed financial information of Registrant for the years ended December 31, 1982, 1981 and 1980	L-4
Schedule VIII—Valuation and qualifying accounts for the years ended December 31, 1982, 1981 and 1980	L-8
Schedule IX—Short-term borrowings for the years ended December 31, 1982, 1981 and 1980	L-9
Schedule X—Supplementary income statement information for the years ended December 31, 1982, 1981 and 1980	L-10

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3. Exhibits:

Description	Exhibit Number
(3) Articles of Incorporation and By-Laws	
Articles of Incorporation of the Registrant as amended to date, incorporated herein by reference to Exhibits 3 (a) and 3 (c) to Registrant's Registration Statement No. 2-38902.....	3.01
By-Laws of the Registrant as amended to date, incorporated herein by reference to Exhibit 3.02 to Registrant's Report on Form 10-K for the year ended December 31, 1980.....	3.02
(4) Instruments Defining the Rights of Security Holders, Including Indentures	
The Registrant hereby agrees to furnish to the Commission upon request copies of instruments with respect to long-term debt, pursuant to Item 601(b)(4)(iii) of Regulation S-K.	
(10) Material Contracts	
Employment Agreement dated March 1, 1971 as amended through June 16, 1981 between Registrant and Laurence A. Tisch, incorporated herein by reference to Exhibit 10.01 to Registrant's Report on Form 10-K for the year ended December 31, 1981	10.01
Employment Agreement dated March 1, 1971 as amended through June 16, 1981 between Registrant and Preston R. Tisch, incorporated herein by reference to Exhibit 10.02 to Registrant's Report on Form 10-K for the year ended December 31, 1981	10.02
Employment Agreement dated June 1, 1976 as amended through July 1, 1981 between a subsidiary of Registrant and Curtis H. Judge, incorporated herein by reference to Exhibit 10.03 to Registrant's Report on Form 10-K for the year ended December 31, 1981	10.03
Employment Agreement dated March 1, 1971 as amended through July 1, 1981 between Registrant and Bernard Myerson, incorporated herein by reference to Exhibit 10.04 to Registrant's Report on Form 10-K for the year ended December 31, 1981	10.04
Employment Agreement dated January 23, 1975 as amended through March 15, 1983 between a subsidiary of Registrant and Edward J. Noha.....	10.05
(11) Statement Re Computation of Per Share Earnings	
Computation of earnings per share assuming full dilution for the years ended December 31, 1982, 1981 and 1980	11.01
(13) Annual Report to Security Holders	
Registrant's 1982 annual report to security holders. Except for those portions of such report which are expressly incorporated by reference in this Form 10-K, such report is furnished for the information of the Commission and is not deemed "filed" as part of this filing.....	13.01
(22) Subsidiaries of the Registrant	
List of subsidiaries of Registrant	22.01

(b) Reports on Form 8-K:

There were no reports on Form 8-K for the three months ended December 31, 1982.

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SIGNATURES

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.

LOEWS CORPORATION

Date: March 24, 1983

By ROY E. POSNER
(Roy E. Posner, Vice-President—Financial Services)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: March 24, 1983

By LAURENCE A. TISCH
(Laurence A. Tisch, Chairman of the Board and Principal Executive Officer)

Date: March 24, 1983

By ROY E. POSNER
(Roy E. Posner, Vice President—Financial Services, Principal Financial Officer)

Date: March 24, 1983

By HARRY KATZ
(Harry Katz, Controller)

Date: March 24, 1983

By CHARLES B. BENENSON
(Charles B. Benenson, Director)

By
(John Brademas, Director)

Date: March 24, 1983

By CURTIS H. JUDGE
(Curtis H. Judge, Director)

Date: March 24, 1983

By ROBERT B. MCKAY
(Robert B. McKay, Director)

Date: March 24, 1983

By JOHN F. MURPHY
(John F. Murphy, Director)

Date: March 24, 1983

By BERNARD MYERSON
(Bernard Myerson, Director)

Date: March 24, 1983

By EDWARD J. NOHA
(Edward J. Noha, Director)

Date: March 24, 1983

By LESTER POLLACK
(Lester Pollack, Director)

Date: March 24, 1983

By ALFRED P. SLANER
(Alfred P. Slaner, Director)

Date: March 24, 1983

By PRESTON R. TISCH
(Preston R. Tisch, Director)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Year Ended December 31, 1983 **Commission File Number 1-6541**

LOEWS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue New York, N.Y.	10103
(Address of principal executive offices)	(Zip Code)

(212) 841-1000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No ____

As at February 29, 1984, 10,867,511 shares of Common Stock of the Registrant were outstanding and the aggregate market value of voting stock held by non-affiliates was approximately $1,167,500,000.

Documents Incorporated by Reference

Portions of the Loews Corporation 1983 Annual Report to Shareholders are incorporated by reference into Parts I and II. With the exception of those portions which are incorporated by reference in this Annual Report on Form 10-K, the Loews Corporation 1983 Annual Report to Shareholders is not deemed filed as part of this Report.

Portions of the Loews Corporation Notice of Annual Meeting of Stockholders and Proxy Statement dated March 23, 1984 are incorporated by reference into Part III. (Registrant intends to file a definitive proxy statement with the Commission prior to April 30, 1984.)

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LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON
FORM 10-K FILED WITH THE
SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 1983

PART I

Item No.		Page No.
1	BUSINESS	2
	CNA Financial Corporation	2
	Lorillard Division	5
	Hotel Division	8
	Theatre Division	9
	Bulova Watch Company, Inc	10
	Other Interests	11
2	PROPERTIES	11
3	LEGAL PROCEEDINGS	11
4	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	12
	EXECUTIVE OFFICERS OF THE REGISTRANT	12

PART II

5	MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS	13
6	SELECTED FINANCIAL DATA	13
7	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	13
8	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	13
9	DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	13

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

PART IV

14	EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K	13

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PART I

Item 1. Business.

Loews Corporation (hereinafter, together with its subsidiaries, referred to as the "Company" or the "Registrant"), primarily through its subsidiaries, is engaged in the production and sales of cigarettes; the operation of hotels; the exhibition of motion pictures; through its approximately 88% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life); and through its approximately 95% ownership of Bulova Watch Company, Inc. ("Bulova"), the production and sales of watches and other timing devices.

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained on pages 8 and 9 in the accompanying 1983 Annual Report to Shareholders.

CNA FINANCIAL CORPORATION

CNA's principal business is insurance. As a multiple-line insurer, CNA underwrites property, casualty, life, and accident and health coverages. CNA's principal market for insurance is the United States. CNA's foreign operations are not significant. CNA also has an interest in a dental equipment and supply company.

On November 8, 1983, CNA sold its consumer finance subsidiary, General Finance Corporation. For additional information see Note 13 to the Consolidated Financial Statements in the accompanying 1983 Annual Report to Shareholders.

CNA's property and casualty insurance operations are conducted by Continental Casualty Company and its casualty insurance affiliates, and its life insurance operations are conducted primarily by Continental Assurance Company.

The tabular information relating to CNA on pages 3 through 5 of this Report is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisition of CNA shares.

PROPERTY AND CASUALTY INSURANCE

CNA's property and casualty insurance operation markets commercial and personal lines of property and casualty insurance through independent agents and brokers. Commercial business includes such lines as workers' compensation, general liability, multiple peril, professional and specialty, and reinsurance. Personal lines primarily consist of automobile and homeowners insurance.

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The following table sets forth supplemental data for the property and casualty business:

	Years Ended December 31,		
	1983	1982	1981
	(In millions of dollars)		
Commercial Premiums Earned			
Workers' compensation	$ 356.6	$ 346.0	$ 332.1
General liability	232.3	244.5	246.8
Multiple peril	130.1	138.4	147.5
Professional and specialty	212.8	180.6	169.8
Reinsurance	121.1	130.1	124.3
Accident and health	111.0	105.8	111.8
Other	72.1	61.0	130.8
	$1,236.0	$1,206.4	$1,263.1
Personal Premiums Earned			
Private passenger	$ 177.4	$ 167.0	$ 145.7
Personal property	81.8	85.7	82.5
Accident and health	54.9	61.6	69.9
Other	4.6	3.8	3.3
	$ 318.7	$ 318.1	$ 301.4
Investment Income			
Commercial	$ 356.3	$ 328.5	$ 308.8
Personal	45.0	35.3	28.9
	$ 401.3	$ 363.8	$ 337.7
Other Data (a)			
Statutory capital and surplus	$1,047.8	$ 999.1	$1,009.6
Written to surplus ratio	1.4	1.5	1.5
Trade Ratios (a)(b)			
Loss ratio	89.2%	87.9%	80.8%
Expense ratio	29.5%	28.5%	30.9%
Combined ratio (before policyholder dividends)	118.7%	116.4%	111.7%
Policyholder dividend ratio	1.0%	1.8%	1.9%

(a) Other Data and Trade Ratios are determined on the basis of statutory accounting principles and reflect capital contributions from CNA of $121.4 million for 1981. Allocations of general management and administrative expenses in the amounts of $59.8, $56.8 and $39.2 million were made to CNA from property and casualty insurance subsidiaries in 1983, 1982 and 1981, respectively.

(b) Trade Ratios are a measure of property and casualty underwriting profitability. The combined ratio is the sum of the loss ratio and the expense ratio. The loss ratio is the percentage of incurred losses to premiums earned. The expense ratio is the percentage of statutory underwriting expenses to premiums written and the policyholder dividend ratio is the ratio of such dividends to premiums earned.

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LIFE INSURANCE

CNA's life insurance operation markets individual and group insurance products through licensed agents, most of whom are independent contractors, who sell life insurance for CNA and for other companies on a commission basis. Individual insurance products, including life, accident and health and annuity products are sold to individuals and small businesses. Group insurance products, including life, accident and health insurance, and pension products are sold to employers, employer associations and trusts ranging in size from small local employers to large multi-national corporations.

The following table sets forth supplemental data for the life insurance business:

	Years Ended December 31,		
	1983	1982	1981
	(In millions of dollars)		
Individual Premiums			
Life	$ 214.0	$ 176.7	$ 177.2
Accident and health	16.9	16.8	16.9
Annuities	2.2	1.3	1.8
	$ 233.1	$ 194.8	$ 195.9
Group Premiums			
Life	$ 84.4	$ 100.6	$ 110.9
Accident and health	780.6	636.6	576.1
Annuities (a)	44.0	75.1	18.2
	$ 909.0	$ 812.3	$ 705.2
Investment and Other Income			
Individual	$ 108.2	$ 103.7	$ 98.7
Group	118.6	100.5	97.0
	$ 226.8	$ 204.2	$ 195.7
Gross Life Insurance in Force			
Individual	$ 23,723	$ 15,900	$ 14,131
Group	19,602	17,216	17,068
	$ 43,325	$ 33,116	$ 31,199
Other Data (b)			
Statutory capital and surplus	$ 306.2	$ 304.5	$ 265.8
Statutory capital and surplus—percent of total liabilities	14.2%	14.0%	12.7%
Participating policyholders—percent of gross life insurance in force	8.8%	14.7%	16.3%

(a) Group annuity premiums include $33.2, $64.2 and $10.9 million in 1983, 1982 and 1981, respectively, of single premium annuities purchased by casualty insurance affiliates covering claims settled on a periodic payment basis.

(b) Other Data is on the basis of statutory accounting principles and reflects a capital contributions from CNA of $8.0 million in 1982 and $40.0 million in 1981. Allocations of general management and administrative expenses in the amounts of $25.3, $24.7 and $19.3 million were made to CNA from life insurance subsidiaries in 1983, 1982 and 1981, respectively.

Statutory capital and surplus as a percent of total liabilities is determined after excluding Separate Account balances from liabilities.

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Reinsurance: CNA's insurance operations assume and cede insurance from and to other insurers. Reinsurance arrangements are utilized to limit maximum loss, to provide greater diversification of risk and to minimize exposures on larger risks. The ceding of insurance does not discharge the primary liability of the original insurer. It is the practice of insurers to account for the portion of the risks which have been reinsured with other companies as though they were risks for which the original insurer is not liable.

Competition: All aspects of the insurance business are highly competitive. CNA's insurance operations compete with a large number of stock and mutual insurance companies and other entities for both producers and customers and must continuously allocate resources to refine and improve their insurance products and services. Based on net premiums written in 1982, Continental Casualty Company is ranked 18th among approximately 3,400 companies writing property and casualty insurance in the United States. Continental Assurance Company is ranked 23rd among approximately 2,000 life insurance companies in the United States, based on premium income in 1982.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision throughout the United States. Each state has established supervisory agencies with broad administrative powers relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, fixing minimum interest rates for accumulation of surrender values and maximum interest rates of policy loans, prescribing the form and content of statutory financial reports and regulating the type and amount of investments permitted. Regulatory powers also extend to premium rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory. Current and proposed Federal measures which may significantly affect the insurance business include amendments to the McCarran-Ferguson Act, pension regulation (ERISA), rate classification legislation and controls on medical care costs.

In addition, insurance holding company laws of several states grant power to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information, and to regulate certain transactions with affiliates. Generally, the declaration of dividends by an insurance company subsidiary to its parent in excess of specified minimum amounts is subject to regulatory approvals.

In addition, material intercompany transactions involving insurance company subsidiaries may also be subject to regulatory approvals.

Properties: CNA Plaza, owned by Continental Assurance Company, is a 1,097,000 square foot office complex located at 333 S. Wabash, Chicago, Illinois. The forty-five story office building serves as the Home Office for CNA and its insurance affiliates. CNA Plaza and the adjacent building (a 454,000 square foot building located at 55 E. Jackson Blvd.) are partially situated on ground under leases expiring in 2058 and 2067. Approximately 64% of the adjacent building is rented to non-affiliates.

CNA also maintains four regional offices and thirty-nine branch offices in major cities throughout the United States. This office space is leased except for offices located in three CNA-owned buildings.

LORILLARD DIVISION

Sales of cigarettes account for approximately 97% of the net sales of the Lorillard Division ("Lorillard"). The principal cigarette brand names of Lorillard are Kent, Kent III, Kent Golden Lights, Newport, True, Satin, Max, Old Gold and Triumph. Other tobacco products include little cigars, small cigars and chewing tobacco.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. Introduction of new brands, brand extensions and packings require the expenditures of substantial sums for advertising and sales promotion, with no assurance of consumer acceptance. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for chewing tobacco, radio and television. Sales promotion activities are conducted by distribution of samples and store coupons, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

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Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast anti-smoking messages and the Federal Communications Commission has determined that the "fairness doctrine," requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues, creates no right to reply to such messages. Federal law requires that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health". Lorillard and the other cigarette manufacturers have agreed, pursuant to consent orders entered into with the Federal Trade Commission ("Commission"), to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner. The Company understands that the Commission is conducting investigations into advertising, marketing and distribution by the cigarette industry.

Several states, counties, municipalities, and Federal and state agencies have enacted or are considering legislation and regulations intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places, and to prohibit or restrict the sampling of cigarettes in public places. From time to time, bills have been introduced in Congress, among other things, to end or limit price supports for leaf tobacco; to provide that cigarette advertising not be a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Commission to promulgate standards establishing maximum acceptable levels of "tar," nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for health research; to require that cigarettes be manufactured in a manner that will cause them, under certain circumstances, to be self-extinguishing; and to revise the health warning statement contained on cigarette packages and in cigarette advertising and to disclose the ingredients used in the manufacture of cigarettes.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets, and through chain store organizations and vending machine operators, many of whom purchase their requirements directly. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco and burley tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions. Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and other near eastern countries and uses seed leaf tobacco, grown mostly in Wisconsin and Pennsylvania, for use in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives. In addition, Lorillard purchases substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

Due to the varying size and quality of annual crops and other economic factors, tobacco prices in the past have been subjected to wide fluctuations. Among the economic factors are Federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1983, the average auction price per pound for flue-cured tobacco increased from a low of approximately 99.8 cents in 1975 to a high of approximately $1.785 in 1982, or 79%. During this period, the average auction price per pound for burley increased from a low of approximately $1.055 in 1975 to a high of approximately $1.807 in 1981, or 71%. The average auction price per pound of flue-cured and burley tobacco in 1983 was $1.779 and $1.793, respectively. The prices paid by Lorillard have generally been consistent with this trend. During 1983, Lorillard increased the wholesale price of its king size, 100 and 120 millimeter cigarettes by $2.95 per thousand, in the aggregate.

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Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 of Notes to Consolidated Financial Statements for information regarding the Company's inventory valuation method.

Taxes: Federal excise taxes included in the price of cigarettes were increased from $4.00 to $8.00 per thousand effective January 1, 1983. Unless extended, the increase will expire on December 31, 1985. Excise taxes on cigarettes, which are levied upon and paid by the distributors, are also in effect in the fifty states, the District of Columbia and many municipalities. The state taxes generally range from 2 cents to 26 cents per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, wrapping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina, and Louisville, Kentucky. The Greensboro plant, devoted exclusively to the manufacture of cigarettes, is located on approximately 79 acres and contains approximately 942,600 square feet. The Louisville plant, which consists of multi-storied buildings totaling about 800,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 2,000,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Lancaster and Columbia, Pennsylvania; and Westby and Stoughton, Wisconsin. A modern research facility containing approximately 82,000 square feet is located at Greensboro. Lorillard leases executive offices at 666 Fifth Avenue, New York, New York.

Competition: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total taxable factory removals of all cigarettes manufactured in the United States and total taxable factory removals of all cigarettes manufactured by Lorillard, indicates the relative position of Lorillard in the industry:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry**
1983	597,466,000	54,336,000	9.1%
1982	614,017,000	53,641,000	8.7%
1981	638,113,000	57,064,000	8.9%

*Source: Reports and bulletins of the Internal Revenue Service.

**The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1983, 1982 and 1981, Lorillard's share of the domestic market was 9.2%, 8.7% and 9.2%, respectively, based on estimated cigarette output by company.

On the basis of information currently available, Lorillard ranks fourth among the major producers of tobacco products in the United States.

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HOTEL DIVISION

The Company presently operates the following 13 hotels and motor hotels:

Name and Location	Type	Number of Rooms* (Year Opened)	Owned, Leased or Managed
Anatole Dallas, Texas	Luxury Hotel	1,620 (1) (1979)	Management contracts expiring 1999
Bermuda Beach St. George, Bermuda	Resort Hotel	341 (1971 (2))	Land lease expiring 2018 with renewal options for 48 years
Harbour Cove Paradise Island, Nassau, the Bahamas	Resort Hotel	250 (1970 (2))	Owned
Howard Johnson's Motor Lodge (3) New York, New York	Motor Hotel	300 (1962)	Land lease expiring 2012 (4)
La Napoule La Napoule, France	Luxury Hotel	220 (1983)	Lease expiring 2003
L'Enfant Plaza Washington, D.C.	Luxury Hotel	372 (1973)	Management contract expiring 1988 (5)
Glenpointe Teaneck, New Jersey	Luxury Hotel	350 (1983)	Management contract expiring 2008, with renewal options for 15 years (5)
Le Concorde Quebec City, Canada	Luxury Hotel	424 (1974)	Management contract expiring 2005 with renewal options for 18 years (5)
Monte Carlo Monte Carlo, Monaco	Resort Hotel	622 (1975)	Lease expiring 2002 with renewal options for 20 years
Ramada Inn (3) New York, New York	Motor Hotel	366 (1962)	Owned
Regency New York, New York	Luxury Hotel	482 (1963)	Land lease expiring 1991 with renewal options for 69 years
Summit New York, New York	First Class Hotel	753 (1961)	Owned
Westbury Toronto, Canada	First Class Hotel	536 (1956 (2))	Lease expiring 1998

*As of December 31, 1983.

(1) Includes 720 rooms added in 1984.

(2) The Harbour Cove Hotel was acquired by the Company in 1980. The leases for the Westbury and Bermuda Beach hotels were acquired in 1978 and 1981, respectively.

(3) Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for the use of the respective trade names, trademarks and other rights.

(4) The Company is obligated to purchase the land in 1986.

(5) These management contracts are subject to termination rights.

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The hotels at La Napoule and Monte Carlo each include a casino operated by a joint venture in which the Company is a co-venturer. In addition, the Company's hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses.

The Company has entered into a management contract to operate a 380 room resort hotel, Loews Paradise Valley Resort, in Paradise Valley, Arizona, which will be nearing completion in 1984 and has entered into a management contract to operate a 400 room resort hotel, Loews Ventana Canyon Resort, presently under construction in Tucson, Arizona.

The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $46,010,000 at December 31, 1983 with interest rates ranging from 6% to 13%, and maturing between 1986 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $21,721,000, at interest rates ranging from 6% to 9.5%.

The Company has leased to a joint venture the Sheraton Centre and the Sheraton City Squire Inn, in New York City, for terms expiring in 2002 and 2000, respectively. The leases, which contain purchase options on the part of lessees, are guaranteed by American Airlines, Inc. and Sheraton Corporation and provide for payment of fixed aggregate annual rent and a percentage rental with provisions for maximum fixed annual and percentage rents.

Competition from other hotels, motor hotels and inns, including facilities owned by local interests and by national and international chains, is vigorous in all areas in which the Company operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. As reported by "Institutions", a trade publication, the Company's hotel division ranked 35th among the world's largest hotel organizations at the end of 1982. Because of the competitive nature of the industry, hotel and motor hotel operations must continually make expenditures for updating, refurnishing and repairs and maintenance, in order to prevent competitive obsolescence.

THEATRE DIVISION

The Company's theatres exhibit feature motion pictures, which are licensed for exhibition by film distributors. The Company operates 194 motion picture theatre screens located in seven states. The 194 screens are contained in 66 facilities, of which 20 are owned and 46 are leased. All are conventional theatres and vary in size.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of films. In general, the selection of films is determined by community preference, availability and terms. Films are licensed on a picture-by-picture and theatre-by-theatre basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales. The Company also receives revenues from coin-operated video game machines located in most of its theatres.

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In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The properties owned by the Company are subject to mortgage liens securing indebtedness aggregating approximately $1,752,000, at December 31, 1983, at interest rates ranging from 7.3% to 9.4%, and maturing between 1990 and 1997. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $4,898,000, at interest rates ranging from 5.8% to 12%.

During the year ended December 31, 1983, the Company acquired or completed construction of three facilities with a total of 17 screens. In addition, three facilities were multiplexed with a total of four screens. The operation of one facility with two screens was discontinued.

The business of motion picture exhibition is highly competitive. The Company is one of many theatre chains in the United States. The Company operates theatres in certain areas of the country which are heavily saturated with theatres of various national and local exhibitors. The Company faces intense competition from locally significant competitors in obtaining films with wide appeal. The Company's film exhibition business is confronted with competition from television, including pay cable, motion picture home video cassettes and other forms of home entertainment, all of which have continued to increase in significance. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

BULOVA WATCH COMPANY, INC.

Bulova's consumer products segment distributes and sells watches and clocks for consumer use, timepiece parts and power cells. Its industrial and defense products segment manufactures and sells fuzes for national defense.

Consumer Products: Bulova distributes and sells quartz-crystal watches with analog and liquid crystal display, jeweled-lever watches and various types of clocks. Most watch movements and cases and other components and all clocks are purchased from foreign suppliers. As a result of a phase-out commenced in 1982, Bulova anticipates that its watch production activities will terminate in 1984. Watches are sold by Bulova principally in the United States, Canada and Italy. In most other areas of the world, Bulova has appointed an exclusive distributor for the sale of watches bearing Bulova's trademarks and has granted to such distributor a license to sell watches manufactured by others under Bulova's trademark. The consumer products business is seasonal, with the greatest sales coming in the third and fourth quarters in expectation of the holiday selling season. The consumer products business is intensely competitive. The principal methods of competition are price, aftersale service, warranty, product performance and styling.

Industrial and Defense Products: The principal products of this segment are mechanical time fuzes for national defense sold to the United States government. These sales accounted for substantially all of the sales of this segment and approximately 34% of Bulova's total sales in 1983.

The backlog of defense products sales amounted to $43.0 million as of December 31, 1983 and $44.4 million as of December 31, 1982. The current backlog is expected to be filled during 1984.

The defense business is intensely competitive. The principal methods of competition are price and product performance. Defense business represents mostly competitive fixed-price contracts awarded by the United States government.

Patents, Research and Development: Bulova has various United States and foreign patents expiring between 1984 and 2000 and various pending patent applications.

Properties: Bulova's properties include a 385,000 square foot watch casing plant in Jackson Heights, New York, in which its principal executive offices are located, and a 39,500 square foot watch and clock assembly plant in Toronto, Canada. Other Bulova properties, at which it is anticipated production will terminate in 1984, consist of a plant for the assembly of watch cases in Providence, Rhode Island aggregating approximately 95,000 square feet; two plants for the assembly of watch movements in Bienne,

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Switzerland aggregating approximately 135,000 square feet; a watch movement assembly plant in the United States Virgin Islands; and a plant in Villers-le-Lac, France (tool, die and watch part manufacture) leased to a third party under an agreement expiring December 31, 1984. All the foregoing plants are owned by Bulova or its subsidiaries. In addition, Bulova leases two plants in Valley Stream, New York consisting of 11,400 square feet and 133,400 square feet (the latter is owned by Bulova's Employees' Retirement Plan Trust) and a plant in Freeport, New York (62,000 square feet) for the manufacture of defense products.

OTHER INTERESTS

The Company owns the land under an office building containing approximately 2,000,000 square feet of office and commercial space and a commercial and office building, in New York City.

EMPLOYEE RELATIONS

The Company, exclusive of CNA and Bulova and their respective subsidiaries, employed approximately 9,400 persons at December 31, 1983. A substantial number of such personnel is represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed. The Company considers its employee relations to be satisfactory.

The Company maintains a retirement plan, group life, disability and health insurance program, and a savings plan for its salaried employees. The Company has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The Company has a retirement plan, a deferred profit sharing plan, and other benefits for the hourly-paid employees of the Lorillard Division, who are represented by the foregoing unions.

CNA and its subsidiaries employ approximately 11,800 persons and have experienced satisfactory labor relations, with no work stoppages due to labor disagreements. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees including a retirement plan, a savings plan, a disability program, a group life program and a group health care program.

Bulova and its subsidiaries employ approximately 1,900 persons approximately 1,050 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all employees.

Item 2. Properties.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1.

Item 3. Legal Proceedings.

Lorillard: (1) By decree dated November 16, 1911 of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America v. The American Tobacco Company and others*, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (i) making transfers of certain of its property to any other of those corporations, (ii) making any agreements of types deemed anti-competitive with any other of those corporations, (iii) holding stock in a corporation whose stock is also held by another of those corporations and (iv) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

2. The Company and other leading tobacco manufacturers have been the subject from time to time of actions and claims seeking damages for cancer and other health effects claimed to have resulted from tobacco use. Three such cases are presently pending in which the Company is named as a defendant. The first case, *Cipollone v. Loew's Theatres, Inc. et al.*, was commenced in the federal district court in New Jersey in 1983. Plaintiff seeks unspecified general and punitive damages for lung cancer and other per-

91756352

sonal injuries allegedly resulting from tobacco use, based on theories of negligence, product liability and breach of warranty. The second case, *Reach v. Loew's Theatres, Inc. et al.*, is a wrongful death action pending in the New Jesey state courts in which the plaintiff has recently been granted leave to add the Company as a defendant. Plaintiff seeks unspecified damages for lung cancer and other personal injuries claimed to have resulted from tobacco use, which injuries allegedly resulted in decedent's death. Plaintiff's claims are based on theories of negligence and strict liability in tort. The third case, *Haines v. Loew's Theatres, Inc. et al.*, is a wrongful death action commenced recently in the federal district court in New Jersey in which plaintiff seeks unspecified general and punitive damages for lung cancer and other personal injuries claimed to have resulted in decedent's death, based on theories similar to those asserted in the *Cipollone* action. These actions are each in a preliminary stage. The Company intends to defend vigorously all such actions which may be brought against it.

Theatres: Under a Consent Judgment entered in the United States District Court for the Southern District of New York in 1952, in *United States* v. *Loew's Incorporated, et al.*, the Company was prohibited from, among other things, engaging in the distribution of motion pictures and acquiring theatres, except upon a showing to the court that any such acquisition would not unduly restrain competition. On February 27, 1980 the Consent Judgment was modified (i) to permit the Company to acquire theatres without court approval, with the exception of certain specified markets where such approval will continue to be required for acquisition of certain existing theatres until February 27, 1990, and (ii) to permit the Company to engage in the distribution of motion pictures subject to restrictions imposed on eight motion picture distributors by various decrees entered in *United States* v. *Paramount, et al.* and *United States* v. *Loew's Incorporated, et al.*, provided that motion pictures produced or distributed by the Company may not be exhibited in the Company's theatres. Among other things, such decrees provide that pictures of such distributors must be offered and licensed to exhibitors picture by picture and theatre by theatre.

Other: Clegg, et al. v. Loews Corporation, et al. referred to in the Company's Report on Form 10-K for the Year Ended December 31, 1982, has been settled. This action concerned alleged defects in a townhouse project in South San Francisco, California known as Westborough Greens. The settlement provides, among other things, for releases and indemnities in favor of the defendants, payment by the Company of approximately $19,400,000 over a three and one-half year period to be used to cure the alleged defects and pay plaintiff's attorney fees, and payment by the Company toward the cost of earthquake insurance during that period. Subcontractors, insurance carriers and others have agreed to pay to the Company approximately $10,500,000 in relation to claims asserted against them by the Company in this action.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices held	Age	First Became Officer
Kenneth Abrams	Vice President	50	1975
Robert J. Hausman	Vice President	60	1973
Barry Hirsch	Vice President and Secretary	50	1971
Herbert C. Hofmann	Vice President	41	1979
Harry Katz	Controller	57	1974
Bernard Myerson	Executive Vice President	66	1963
Roy E. Posner	Vice President	50	1973
Stephen F. Schwartz	Vice President	43	1980
Charles G. Sposato, Jr	Treasurer	56	1981
James S. Tisch	Vice President	31	1981
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	61	1959
Preston R. Tisch	President and Chief Operating Officer	57	1960

91756353

Laurence A. Tisch and Preston R. Tisch are brothers, and James S. Tisch is the son of Laurence A. Tisch. None of the other officers or directors of Registrant is related to any other. All executive officers of Registrant have been engaged actively and continuously in the business of Registrant and its predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters.

Information relating to this item is included on page 1 of the accompanying 1983 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. Selected Financial Data.

The selected financial data appearing on page 1 of the accompanying 1983 Annual Report to Shareholders are incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations appearing on pages 10 through 12 of the accompanying 1983 Annual Report to Shareholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements appearing on pages 14 through 31 of the accompanying 1983 Annual Report to Shareholders are incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to regulation 14A.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial Statements:

The financial statements appearing on pages 14 through 31 of the accompanying 1983 Annual Report to Shareholders are incorporated herein by reference. The following additional financial data should be read in conjunction with the financial statements in the 1983 Annual Report to Shareholders. Schedules not included with these additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes to consolidated financial statements.

91756354

2. Financial Statement Schedules:

	Page Number
Auditors' Opinion	L-1
Loews Corporation and Subsidiaries:	
Schedule I—Summary of investments—other than investments in related parties as of December 31, 1983	L-2
Schedule II—Amounts receivable from related parties and underwriters, promoters, and employees other than related parties for the year ended December 31, 1981	L-3
Schedule III—Condensed financial information of Registrant for the years ended December 31, 1983, 1982 and 1981	L-4
Schedule VIII—Valuation and qualifying accounts for the years ended December 31, 1983, 1982 and 1981	L-9
Schedule IX—Short-term borrowings for the years ended December 31, 1983, 1982 and 1981	L-10
Schedule X—Supplementary income statement information for the years ended December 31, 1983, 1982 and 1981	L-11

3. Exhibits:

Description	Exhibit Number
(3) Articles of Incorporation and By-Laws	
Articles of Incorporation of the Registrant as amended to date, incorporated herein by reference to Exhibits 3 (a) and 3 (c) to Registrant's Registration Statement No. 2-38902	3.01
By-Laws of the Registrant as amended to date, incorporated herein by reference to Exhibit 3.02 to Registrant's Report on Form 10-K for the year ended December 31, 1980	3.02
(4) Instruments Defining the Rights of Security Holders, Including Indentures	
The Registrant hereby agrees to furnish to the Commission upon request copies of instruments with respect to long-term debt, pursuant to Item 601(b)(4)(iii) of Regulation S-K.	
(10) Material Contracts	
Employment Agreement between Registrant and Laurence A. Tisch. The agreement dated March 1, 1971 as amended through June 16, 1981 is incorporated herein by reference to Exhibit 10.01 to Registrant's Report on Form 10-K for the year ended December 31, 1981 and an amendment thereto dated May 10, 1983 is filed herewith	10.01
Employment Agreement between Registrant and Preston R. Tisch. The agreement dated March 1, 1971 as amended through June 16, 1981 is incorporated herein by reference to Exhibit 10.02 to Registrant's Report on Form 10-K for the year ended December 31, 1981 and an amendment thereto dated May 10, 1983 is filed herewith	10.02
Employment Agreement dated June 1, 1976 as amended through July 1, 1981 between a subsidiary of Registrant and Curtis H. Judge, incorporated herein by reference to Exhibit 10.03 to Registrant's Report on Form 10-K for the year ended December 31, 1981	10.03
Employment Agreement dated March 1, 1971 as amended through July 1, 1981 between Registrant and Bernard Myerson, incorporated herein by reference to Exhibit 10.04 to Registrant's Report on Form 10-K for the year ended December 31, 1981	10.04
Employment Agreement dated January 23, 1975 as amended through March 15, 1983 between a subsidiary of Registrant and Edward J. Noha, incorporated herein by reference to Exhibit 10.05 to Registrant's Report on Form 10-K for the year ended December 31, 1982	10 05

91756355

Description	Exhibit Number
(11) Statement Re Computation of Per Share Earnings	
Computation of earnings per share assuming full dilution for the years ended December 31, 1983, 1982 and 1981	11.01
(13) Annual Report to Security Holders	
Registrant's 1983 annual report to security holders. Except for those portions of such report which are expressly incorporated by reference in this Form 10-K, such report is furnished for the information of the Commission and is not deemed "filed" as part of this filing	13.01
(22) Subsidiaries of the Registrant	
List of subsidiaries of Registrant	22.01

(b) Reports on Form 8-K:

There were no reports on Form 8-K for the three months ended December 31, 1983.

91756356

SIGNATURES

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.

LOEWS CORPORATION

Dated: March 23, 1984

By Roy E. Posner
(Roy E. Posner, Vice President — Financial Services)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 23, 1984

By Laurence A. Tisch
(Laurence A. Tisch, Chairman of the Board and Principal Executive Officer)

Dated: March 23, 1984

By Roy E. Posner
(Roy E. Posner, Vice President—Financial Services, Principal Financial Officer)

Dated: March 23, 1984

By Harry Katz
(Harry Katz, Controller)

Dated: March 23, 1984

By Charles B. Benenson
(Charles B. Benenson, Director)

Dated: March 23, 1984

By John Brademas
(John Brademas, Director)

Dated: March 23, 1984

By Curtis H. Judge
(Curtis H. Judge, Director)

Dated: March 23, 1984

By Robert B. McKay
(Robert B. McKay, Director)

Dated: March 23, 1984

By John F. Murphy
(John F. Murphy, Director)

Dated: March 23, 1984

By Bernard Myerson
(Bernard Myerson, Director)

Dated: March 23, 1984

By Edward J. Noha
(Edward J. Noha, Director)

Dated: March 23, 1984

By Lester Pollack
(Lester Pollack, Director)

Dated: March 23, 1984

By Alfred P. Slaner
(Alfred P. Slaner, Director)

Dated: March 23, 1984

By Preston R. Tisch
(Preston R. Tisch, Director)

91756357

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Year Ended December 31, 1984 — Commission File Number 1-6541

LOEWS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue New York, N.Y.	10103
(Address of principal executive offices)	(Zip Code)

(212) 841-1000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No ____

As at March 1, 1985, 81,503,169 shares of Common Stock of the Registrant were outstanding and the aggregate market value of voting stock held by non-affiliates was approximately $2,458,800,000.

Documents Incorporated by Reference:

Portions of the Loews Corporation 1984 Annual Report to Shareholders are incorporated by reference into Parts I and II of this Report. With the exception of those portions which are incorporated by reference in this Annual Report on Form 10-K, the Loews Corporation 1984 Annual Report to Shareholders is not deemed filed as part of this Report.

Portions of the Loews Corporation Notice of Annual Meeting of Stockholders and Proxy Statement dated March 28, 1985 are incorporated by reference into Part III. (Registrant intends to file a definitive proxy statement with the Commission prior to April 30, 1985.)

91756513

LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON
FORM 10-K FILED WITH THE
SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 1984

PART I

Item No.		Page No.
1	BUSINESS	2
	CNA Financial Corporation	2
	Lorillard Division	7
	Hotel Division	10
	Theatre Division	11
	Bulova Watch Company, Inc	12
	Other Interests	13
2	PROPERTIES	13
3	LEGAL PROCEEDINGS	13
4	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	14
	EXECUTIVE OFFICERS OF THE REGISTRANT	14

PART II

5	MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS	15
6	SELECTED FINANCIAL DATA	15
7	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	15
8	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	15
9	DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	15

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

PART IV

14	EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K	15

91756514

PART I

Item 1. Business.

Loews Corporation (hereinafter, together with its subsidiaries, referred to as the "Company" or the "Registrant"), primarily through its subsidiaries, is engaged in the production and sale of cigarettes; the operation of hotels; the exhibition of motion pictures; through its approximately 89% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life); and through its approximately 95% ownership of Bulova Watch Company, Inc. ("Bulova"), the production and sale of watches and other timing devices.

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained on pages 9 and 10 in the accompanying 1984 Annual Report to Shareholders.

CNA FINANCIAL CORPORATION

CNA's principal business is insurance. As a multiple-line insurer, CNA underwrites property, casualty, life, and accident and health coverages. CNA's principal market for insurance is the United States. CNA's foreign operations are not significant. CNA also has an interest in a dental equipment and supply company.

CNA's property and casualty insurance operations are conducted by Continental Casualty Company and its property and casualty insurance affiliates, and its life insurance operations are conducted primarily by Continental Assurance Company.

The tabular information relating to CNA on pages 3 through 7 of this Report is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisition of CNA shares.

PROPERTY AND CASUALTY INSURANCE

CNA's property and casualty insurance operation markets commercial and personal lines of property and casualty insurance through independent agents and brokers. Commercial business includes such lines as workers' compensation, general liability, multiple peril, professional and specialty, and reinsurance. Personal lines primarily consist of automobile and homeowners insurance.

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The following table sets forth supplemental data for the property and casualty business:

	Years Ended December 31,		
	1984	1983	1982
	(In millions of dollars)		
Commercial Premiums Earned			
Workers' compensation	$ 416.5	$ 356.6	$ 346.0
General liability	268.6	232.3	244.5
Multiple peril	159.9	130.1	138.4
Professional and specialty	293.9	212.8	180.6
Reinsurance	140.7	121.1	130.1
Accident and health	119.8	111.0	105.8
Other	55.9	72.1	61.0
	$1,455.3	$1,236.0	$1,206.4
Personal Premiums Earned			
Private passenger	$ 191.0	$ 177.4	$ 167.0
Personal property	81.6	81.8	85.7
Accident and health	56.1	54.9	61.6
Other	5.0	4.6	3.8
	$ 333.7	$ 318.7	$ 318.1
Investment Income			
Commercial	$ 415.3	$ 356.3	$ 328.5
Personal	53.0	45.0	35.3
	$ 468.3	$ 401.3	$ 363.8
Other Data (a)			
Statutory capital and surplus	$1,066.3	$1,047.8	$ 999.1
Written to surplus ratio	1.7	1.4	1.5
Trade Ratios (a)(b)			
Loss ratio	96.6%	89.2%	87.9%
Expense ratio	29.0%	29.5%	28.5%
Combined ratio (before policyholder dividends)	125.6%	118.7%	116.4%
Policyholder dividend ratio	.6%	1.0%	1.8%

(a) Other Data and Trade Ratios are generally determined on the basis of statutory accounting principles. Property and casualty insurance subsidiaries received reimbursement from CNA for general management and administrative expenses in the amounts of $65.0, $59.8 and $56.8 million in 1984, 1983 and 1982, respectively.

(b) Trade Ratios are measures of property and casualty underwriting results. The combined ratio is the sum of the loss ratio and the expense ratio. The loss ratio is the percentage of the incurred claims and claim adjustment expenses to premiums earned. The expense ratio is the percentage of statutory underwriting expenses to premiums written and the policyholder dividend ratio is the ratio of such dividends, based upon generally accepted accounting principles, to premiums earned.

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Property and Casualty Claims and Claim Expenses: Insurance reserves for the property and casualty insurance subsidiaries are based on (a) case basis estimates for losses reported on direct business, adjusted in the aggregate for ultimate loss expectations, (b) estimates of unreported losses based upon past experience, (c) estimates of assumed and ceded insurance, (d) estimates of future expenses to be incurred in settlement of claims and (e) estimates of claim recoveries. Loss reserve calculations are based on quantitative techniques which utilize historical trends to project future payments. Other factors, including mix of business and the anticipated effects of inflation, are implicit in the estimation process. The schedule on page 3 provides information on mix of business. Reserve estimates are continuously monitored and, as experience develops, adjustments are reflected in current operations.

Claim and claim expense reserves represent ultimate expected future payments without discount. The only difference between the reserve balances reported in the financial statements prepared in accordance with generally accepted accounting principles (GAAP) and those reported under statutory accounting practices relates to the treatment of salvage and subrogation. Salvage and subrogation are recorded on a cash basis for statutory purposes but are accrued for GAAP purposes, resulting in a $17 million difference in total reserves at December 31, 1984.

The retention limits of CNA vary by type of coverage and are based on individual risks underwritten. In general, retention limits have been increased with the growth in underwriting capacity. There have been no portfolio reserve transfers or other reinsurance transactions that have had a material impact on net income.

The table below provides a reconciliation between beginning and ending claim and claim expense reserve balances for 1984, 1983 and 1982. The unfavorable reserve development in 1984 is primarily attributable to adverse claim experience under liability coverages. Certain insurance policies are subject to retroactive premium adjustments, based on various factors including loss experience. As a result, CNA also recorded increases to premiums of $36 million in 1984 related to prior years.

Changes in Reserves for Property/Casualty Claims and Claim Adjustment Expenses

	Years Ended December 31,		
	1984	1983	1982
	(In millions of dollars)		
Reserves at beginning of year	$3,475	$3,136	$2,856
Incurred claims and claim expenses:			
Provision for insured events of current year	1,650	1,409	1,289
Increase (decrease) in provision for insured events of prior years	74	(24)	37
	1,724	1,385	1,326
Payments:			
Attributable to current year events	409	378	392
Attributable to prior year events	797	731	705
Reserve assumption from Continental Assurance Company*:			
Current year	(391)	(278)	(215)
Prior year	278	215	164
	1,093	1,046	1,046
Reserves at end of year	$4,106	$3,475	$3,136

*Represents asset transfers with Continental Assurance Company under a reinsurance agreement under which certain group accident and health insurance business is ceded to Continental Casualty Company.

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The following table displays the development of financial statement claim and claim expense reserves for 1976 through 1984. In this table, development of reserves is included in each calendar year between the dates of loss and recognition. Therefore, the deficiencies reflected below are cumulative and should not be summed.

Consolidated Continental Casualty Company
Schedule of Loss Reserve Development

	Years Ended December 31,								
	1976	1977	1978	1979	1980	1981	1982	1983	1984
	(In millions of dollars)								
Reserves for unpaid claims and claim expenses	$1,350	$1,542	$1,765	$2,067	$2,416	$2,856	$3,136	$3,475	$4,106
Paid (Cumulative) as of:									
One year later	424	410	464	512	603	869	946	1,075	—
Two years later	648	676	722	837	1,011	1,305	1,424	—	—
Three years later	834	861	919	1,122	1,295	1,622	—	—	—
Four years later	966	1,005	1,119	1,322	1,529	—	—	—	—
Five years later	1,073	1,155	1,256	1,484	—	—	—	—	—
Six years later	1,181	1,256	1,367	—	—	—	—	—	—
Seven years later	1,261	1,342	—	—	—	—	—	—	—
Eight years later	1,325	—	—	—	—	—	—	—	—
Reserves Reestimated as of:									
End of current year	1,350	1,542	1,765	2,067	2,416	2,856	3,136	3,475	4,106
One year later	1,400	1,580	1,795	2,133	2,455	2,893	3,112	3,549	—
Two years later	1,450	1,614	1,850	2,138	2,496	2,878	3,185	—	—
Three years later	1,481	1,673	1,834	2,199	2,468	2,923	—	—	—
Four years later	1,545	1,686	1,896	2,170	2,471	—	—	—	—
Five years later	1,559	1,748	1,880	2,164	—	—	—	—	—
Six years later	1,614	1,745	1,862	—	—	—	—	—	—
Seven years later	1,622	1,715	—	—	—	—	—	—	—
Eight years later	1,605	—	—	—	—	—	—	—	—
Deficiency	(255)	(173)	(97)	(97)	(55)	(67)	(49)	(74)	—

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LIFE INSURANCE

CNA's life insurance operation markets individual and group insurance products through licensed agents, most of whom are independent contractors, who sell life insurance for CNA and for other companies on a commission basis. Individual insurance products, including life, accident and health and annuity products, are sold to individuals and small businesses. Group insurance products, including life, accident and health insurance, and pension products, are sold to employers, employer associations and trusts ranging in size from small local employers to large multinational corporations.

The following table sets forth supplemental data for the life insurance business:

	Years Ended December 31,		
	1984	1983	1982
	(In millions of dollars)		
Individual Premiums			
Life	$ 237.0	$ 214.0	$ 176.7
Accident and health	16.5	16.9	16.8
Annuities	9.3	2.2	1.3
	$ 262.8	$ 233.1	$ 194.8
Group Premiums			
Life	$ 66.8	$ 84.4	$ 100.6
Accident and health	903.4	780.6	636.6
Annuities (a)	52.5	44.0	75.1
	$1,022.7	$ 909.0	$ 812.3
Investment and Other Income			
Individual	$ 130.4	$ 108.2	$ 103.7
Group	113.7	118.6	100.5
	$ 244.1	$ 226.8	$ 204.2
Gross Life Insurance in Force			
Individual	$ 37,950	$23,723	$15,900
Group	13,558	19,602	17,216
	$ 51,508	$43,325	$33,116
Other Data (b)			
Statutory capital and surplus	$ 313.7	$ 306.2	$ 304.5
Statutory capital and surplus—percent of total liabilities	14.1%	14.2%	14.0%
Participating policyholders—percent of gross life insurance in force	6.9%	8.8%	14.7%

(a) Group annuity premiums include $41.0, $33.2 and $64.2 million in 1984, 1983 and 1982, respectively, of single premium annuities purchased by casualty insurance affiliates covering claims settled on a periodic payment basis.

(b) Other Data is on the basis of statutory accounting principles and reflects dividends paid to Continental Casualty Company ("Casualty") of $25.8 million in 1984 and capital contributions from Casualty of $20.8 and $8.0 million in 1984 and 1982, respectively. Life insurance subsidiaries received reimbursement from CNA for general management and administrative expenses in the amounts of $27.2, $25.3, and $24.7 million in 1984, 1983 and 1982, respectively.

Statutory capital and surplus as a percent of total liabilities is determined after excluding Separate Account liabilities and reclassifying Mandatory Securities Valuation Reserve as surplus.

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Reinsurance: CNA's insurance operations assume and cede insurance from and to other insurers and members of various reinsurance pools and associations. Reinsurance is assumed and ceded on both a pro rata and excess basis. Reinsurance arrangements are utilized to limit maximum loss, to provide greater diversification of risk and to minimize exposures on larger risks. The ceding of insurance does not discharge the primary liability of the original insurer. It is the practice of insurers to account for the portion of risks which have been reinsured with other companies as though they were risks for which the original insurer is not liable.

Competition: All aspects of the insurance business are highly competitive. CNA's insurance operations compete with a large number of stock and mutual insurance companies and other entities for both producers and customers and must continuously allocate resources to refine and improve their insurance products and services. Based on net premiums written in 1983, Continental Casualty Company is ranked 17th among approximately 3,500 companies writing property and casualty insurance in the United States. Continental Assurance Company is ranked 21st among approximately 2,100 life insurance companies in the United States, based on premium revenue in 1983.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision throughout the United States. Each state has established supervisory agencies with broad administrative powers relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, fixing minimum interest rates for accumulation of surrender values and maximum interest rates of policy loans, prescribing the form and content of statutory financial reports and regulating the type and amount of investments permitted. Regulatory powers also extend to premium rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory. Current and proposed Federal measures which may significantly affect the insurance business include amendments to the McCarran-Ferguson Act, pension regulations (ERISA), rate classification legislation and controls on medical care costs.

In addition, insurance holding company laws of several states grant power to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information, and to regulate certain transactions with affiliates. Generally, the declaration of dividends by an insurance company subsidiary to its parent in excess of specified minimum amounts is subject to regulatory approvals.

In addition, material intercompany transactions involving insurance company subsidiaries may also be subject to regulatory approvals.

Properties: CNA Plaza, owned by Continental Assurance Company, is a 1,097,000 square foot office complex located at 333 S. Wabash, Chicago, Illinois. The forty-five story office building serves as the home office for CNA and its insurance affiliates. CNA Plaza and the adjacent building (a 454,000 square foot building located at 55 E. Jackson Blvd.) are partially situated on ground under leases expiring in 2058 and 2067. Approximately 76% of the adjacent building is rented to non-affiliates.

CNA also maintains four regional offices and thirty-seven branch offices in major cities throughout the United States. This office space is leased except for offices located in three CNA-owned buildings.

LORILLARD DIVISION

Sales of cigarettes account for approximately 97% of the net sales of the Lorillard Division ("Lorillard"). The principal cigarette brand names of Lorillard are Kent, Kent III, Kent Golden Lights, Newport, True, Satin, Max, Old Gold and Triumph. Other tobacco products include little cigars, small cigars and chewing tobacco.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. Introduction of new brands, brand extensions and packings require the expenditures of substantial sums for advertising and sales promotion, with no assurance of consumer acceptance. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for chewing tobacco, radio and television. Sales promotion activities are conducted by distribution of samples and store coupons, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

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Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast anti-smoking messages and the Federal Communications Commission has determined that the "fairness doctrine," requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues, creates no right to reply to such messages. The Company understands that the Federal Trade Commission ("FTC") is conducting investigations into advertising, marketing and distribution by the cigarette industry.

Since 1965 Federal law has required that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health." In 1972 Lorillard and the other cigarette manufacturers agreed, pursuant to consent orders entered into with the FTC to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner. Effective October 12, 1985 the new Federal Comprehensive Smoking Education Act requires the use on cigarette packaging and advertising of one of the following four warning statements, in lieu of the prior warning notice, on a rotating basis in accordance with a plan to be submitted to the FTC: (1) "SURGEON GENERAL'S WARNING: Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy." (2) "SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks To Your Health." (3) "SURGEON GENERAL'S WARNING: Smoking By Pregnant Women May Result in Fetal Injury, Premature Birth, and Low Birth Weight." (4) "SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide." Four shortened versions of these statements are required, on a rotating basis, for use on billboards.

The law also requires that each person who manufactures, packages or imports cigarettes shall provide to the Secretary of Health and Human Services a list of the ingredients added to tobacco in the manufacture of cigarettes. Such list of ingredients may be submitted in a manner which does not identify the company which uses the ingredients or the brand of cigarettes which contain the ingredients.

Several states, counties, municipalities, and Federal and state agencies have enacted or are considering legislation and regulations intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places, and to prohibit or restrict the sampling of cigarettes in public places. From time to time, bills have been introduced in Congress, among other things, to end or limit price supports for leaf tobacco; to prohibit advertising of any tobacco product on any medium of electronic communication; to provide that cigarette advertising not be a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the Commission to promulgate standards establishing maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for health research, and to supplement the Medicare Trust Fund; to require that cigarettes be manufactured in a manner that will cause them, under certain circumstances, to be self-extinguishing. The Federal Safety Act, passed in 1984, established a Technical Study Group to conduct a 30-month study and report to the Congress on its findings regarding the technical and commercial feasibility, economic impact, and other consequences of developing cigarettes and little cigars that will have a minimum propensity to ignite upholstered furniture or mattresses.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets, and through chain store organizations and vending machine operators, many of whom purchase their requirements directly, and by direct sales to the U.S. Armed Forces. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco and burley tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions. Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and other Near Eastern countries and uses seed leaf tobacco grown mostly in Wisconsin and Pennsylvania, for use in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives. In addition, Lorillard purchases substantial quantities of aged tobacco from various sources, principally financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

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Due to the varying size and quality of annual crops and other economic factors, tobacco prices in the past have been subjected to wide fluctuations. Among the economic factors are Federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1984, the average auction price per pound for flue-cured tobacco increased from a low of approximately 99.8 cents in 1975 to a high of approximately $1.81 in 1984, or 81%. During this period, the average auction price per pound for burley increased from a low of approximately $1.055 in 1975 to a high of approximately $1.875 in 1984, or 78%. The prices paid by Lorillard have generally been consistent with this trend. During 1984, Lorillard increased the wholesale price of its king size cigarettes by $2.00 per thousand and its 100 and 120 millimeter cigarettes by $2.25 per thousand, in the aggregate.

Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 to the Consolidated Financial Statements for inventory costing method.

Taxes: Federal excise taxes included in the price of cigarettes were increased from $4.00 to $8.00 per thousand effective January 1, 1983. Unless extended, the increase will expire on September 30, 1985. Excise taxes on cigarettes, which are levied upon and paid by the distributors, are also in effect in the fifty states, the District of Columbia and many municipalities. The state taxes generally range from 2 cents to 26 cents per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, wrapping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants in Greensboro, North Carolina and Louisville, Kentucky. The Greensboro plant, devoted exclusively to the manufacture of cigarettes, is located on approximately 79 acres and contains approximately 942,600 square feet. The Louisville plant, which consists of multi-storied buildings totaling about 800,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars and chewing tobacco. The manufacture of cigarettes at this facility will be terminated in early 1986 and consolidated into the Greensboro facility. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 1,500,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Westby and Stoughton, Wisconsin and Lancaster and Columbia, Pennsylvania. Lorillard anticipates that the storage of tobacco at the Pennsylvania facilities will be terminated by 1987 and consolidated into Lorillard's facilities at Danville, Virginia. A modern research facility containing approximately 82,000 square feet is located at Greensboro. Lorillard leases executive offices at 666 Fifth Avenue, New York, New York.

Competition: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total taxable factory removals of all cigarettes manufactured in the United States and total taxable factory removals of all cigarettes manufactured by Lorillard, indicates the relative position of Lorillard in the industry:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry **
1984	597,895,000	48,562,000	8.1%
1983	597,466,000	54,336,000	9.1%
1982	614,017,000	53,641,000	8.7%

*Source: Reports and bulletins of the Internal Revenue Service.

**The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1984, 1983 and 1982, Lorillard's share of the domestic market was 8.2%, 9.2% and 8.7%, respectively, based on estimated cigarette output by company.

On the basis of information currently available, Lorillard ranks fourth among the major producers of tobacco products in the United States.

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HOTEL DIVISION

The Company presently operates the following 14 hotels and motor hotels:

Name and Location	Type	Number of Rooms* (Year Opened)	Owned, Leased or Managed
Anatole Dallas, Texas	Luxury Hotel	1,620 (1) (1979)	Management contracts expiring 1999
Glenpointe Teaneck, New Jersey	Luxury Hotel	350 (1983)	Management contract expiring 2008, with renewal options for 15 years (5)
Harbour Cove Paradise Island, Nassau, the Bahamas	Resort Hotel	250 (1970 (2))	Owned
Howard Johnson's Motor Lodge (3) New York, New York	Motor Hotel	300 (1962)	Land lease expiring 2012 (4)
La Napoule La Napoule, France	Luxury Hotel	220 (1983)	Lease expiring 2003
Le Concorde Quebec City, Canada	Luxury Hotel	424 (1974)	Management contract expiring 2005 with renewal options for 18 years (5)
L'Enfant Plaza Washington, D.C.	Luxury Hotel	372 (1973)	Management contract expiring 1988 (5)
Monte Carlo Monte Carlo, Monaco	Resort Hotel	622 (1975)	Lease expiring 2002 with renewal options for 20 years
Paradise Valley Resort Paradise Valley, Arizona	Resort Hotel	380 (1984)	Management contract expiring 2014 (5)
Ramada Inn (3) New York, New York	Motor Hotel	256 (1962)	Owned
Regency New York, New York	Luxury Hotel	482 (1963)	Land lease expiring 1991 with renewal options for 69 years
Summit New York, New York	First Class Hotel	753 (1961)	Owned
Ventana Canyon Resort Tucson, Arizona	Resort Hotel	398 (1984)	Management contract expiring 2004 (5)
Westbury Toronto, Canada	First Class Hotel	536 (1956 (2))	Lease expiring 1998

*As of December 31, 1984.

(1) Includes 720 rooms added in 1984.

(2) The Harbour Cove Hotel was acquired by the Company in 1980 and the lease for the Westbury Hotel was acquired in 1978.

(3) Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for the use of the respective trade names, trademarks and other rights.

(4) The Company is obligated to purchase the land in 1986.

(5) These management contracts are subject to termination rights.

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The hotels at La Napoule and Monte Carlo each include a casino operated by a joint venture in which the Company is a co-venturer. In addition, the Company's hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses.

During 1984, the Company sold its interest in the Bermuda Beach Hotel, St. George, Bermuda, which was operated by the Company under a lease.

The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $44,853,000 at December 31, 1984 with interest rates ranging from 6% to 13%, and maturing between 1986 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $19,031,000 at interest rates ranging from 5% to 9.5%.

The Company has leased to a joint venture the Sheraton Centre and the Sheraton City Squire Inn, in New York City, for terms expiring in 2002 and 2000, respectively. The leases, which contain purchase options on the part of lessees, are guaranteed by American Airlines, Inc. and Sheraton Corporation and provide for payment of fixed aggregate annual rent and a percentage rental with provisions for maximum fixed annual and percentage rents.

Competition from other hotels, motor hotels and inns, including facilities owned by local interests and by national and international chains, is vigorous in all areas in which the Company operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. The Company's hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. As reported by "Institutions", a trade publication, the Company's hotel division ranked 42nd among the world's largest hotel organizations at the end of 1983. Because of the competitive nature of the industry, hotel and motor hotel operations must continually make expenditures for updating, refurnishing and repairs and maintenance, in order to prevent competitive obsolescence.

THEATRE DIVISION

The Company's theatres exhibit feature motion pictures, which are licensed for exhibition by film distributors. The Company operates 215 motion picture theatre screens located in six states. The 215 screens are contained in 67 facilities, of which 19 are owned and 48 are leased. All are conventional theatres and vary in size.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of films. In general, the selection of films is determined by community preference, availability and terms. Films are licensed on a picture-by-picture and theatre-by-theatre basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, candy and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales. The Company also receives revenues from coin-operated video game machines located in most of its theatres.

In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The properties owned by the Company are subject to mortgage liens securing indebtedness aggregating approximately $1,191,000, at December 31, 1984, at interest rates ranging from 9.0% to 9.4%, and maturing between 1990 and 1997. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $4,542,000, at interest rates ranging from 5.8% to 12%.

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During the year ended December 31, 1984, the Company acquired or completed construction of four facilities with a total of 28 screens. The operations of three facilities with seven screens were discontinued.

The business of motion picture exhibition is highly competitive. The Company is one of many theatre chains in the United States. The Company operates theatres in certain areas of the country which are heavily saturated with theatres of various national and local exhibitors. The Company faces intense competition from locally significant competitors in obtaining films with wide appeal. The Company's film exhibition business is confronted with competition from television, including pay cable, motion picture home video cassettes and other forms of home entertainment, all of which have continued to increase in significance. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

BULOVA WATCH COMPANY, INC.

Bulova's consumer products segment distributes and sells watches and clocks for consumer use, timepiece parts and power cells. Its industrial and defense products segment manufactures and sells fuzes for national defense.

Consumer Products: Bulova distributes and sells quartz-crystal watches with analog and liquid crystal display, jeweled-lever watches and various types of clocks. Most watch movements and cases and other components and all clocks are purchased from foreign suppliers. As a result of a phase-out commenced in 1982, Bulova's watch production activities terminated in 1984. Watches are sold by Bulova principally in the United States, Canada and Italy. In most other areas of the world, Bulova has appointed an exclusive distributor for the sale of watches bearing Bulova's trademarks and has granted to such distributor a license to sell watches manufactured by others under Bulova's trademark. The consumer products business is seasonal, with the greatest sales coming in the third and fourth quarters in expectation of the holiday selling season. The consumer products business is intensely competitive. The principal methods of competition are price, aftersale service, warranty, product performance and styling.

Industrial and Defense Products: The principal products of this segment are mechanical time fuzes for national defense sold to the United States government. These sales accounted for substantially all of the sales of this segment and approximately 35% of Bulova's total sales in 1984.

The backlog of defense products sales amounted to $42.3 million as of December 31, 1984 and $43.0 million as of December 31, 1983. The current backlog is expected to be filled during 1985.

The defense business is intensely competitive. The principal methods of competition are price and product performance. Defense business represents mostly competitive fixed-price contracts awarded by the United States government.

Patents, Research and Development: Bulova has various United States and foreign patents expiring between 1985 and 2001 and various pending patent applications.

Properties: Bulova's properties include a 385,000 square foot watch casing plant in Jackson Heights, New York, in which its principal executive offices are located (currently under a contract of sale, which is contingent upon certain events), and a 39,500 square foot watch and clock assembly plant in Toronto, Canada. The foregoing plants are owned by Bulova or its subsidiaries. In addition, Bulova leases two plants in Valley Stream, New York consisting of 11,400 square feet and 133,400 square feet (the latter is owned by Bulova's Employees' Retirement Plan Trust) and a plant in Freeport, New York (62,000 square feet) for the manufacture of defense products.

During 1984, the Company sold properties in Providence, Rhode Island, St. Croix, Virgin Islands, Bienne, Switzerland and Villers-le-lac, France for amounts aggregating approximately $2,800,000.

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OTHER INTERESTS

In 1985, the Company sold land under an office building in New York City for $17,000,000.

EMPLOYEE RELATIONS

The Company, exclusive of CNA and Bulova and their respective subsidiaries, employed approximately 9,500 persons at December 31, 1984. A substantial number of such personnel is represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed. The Company considers its employee relations to be satisfactory.

The Company maintains a retirement plan, group life, disability and health insurance program, and a savings plan for its salaried employees. The Company has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The Company has a retirement plan, a deferred profit sharing plan, and other benefits for the hourly-paid employees of the Lorillard Division, who are represented by the foregoing unions.

CNA and its subsidiaries employ approximately 11,900 persons and have experienced satisfactory labor relations, with no work stoppages due to labor disagreements. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees including a retirement plan, a savings plan, a disability program, a group life program and a group health care program.

Bulova and its subsidiaries employ approximately 1,550 persons approximately 950 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all employees.

Item 2. Properties.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1.

Item 3. Legal Proceedings.

Lorillard: 1. By decree dated November 16, 1911 of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America* v. *The American Tobacco Company and others*, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (i) making transfers of certain of its property to any other of those corporation, (ii) making any agreement of types deemed anti-competitive with any other of those corporations, (iii) holding stock in a corporation whose stock is also held by another of those corporations and (iv) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

2. The Company and other leading tobacco manufacturers have been the subject from time to time of actions and claims seeking damages for cancer and other health effects claimed to have resulted from tobacco use. The Company is named as a defendant in the eight presently pending cases described below. Each action has been brought against the Company and one or more other tobacco companies. Generally, the plaintiffs' claims are based on theories of negligence, product liability and breach of warranty, among others, and some cases have asserted claims of failure to adequately warn of allegedly harmful or addictive nature of tobacco products. The plaintiffs seek compensatory and punitive damages which in many cases are unspecified and in others are stated to amount to as much as $25 million as to compensatory damages and as much as $200 million as to punitive damages. The Company intends to defend vigorously all such actions which may be brought against it.

Cipollone v. *Loew's Theatres, Inc., et al.* Federal District Court in New Jersey. This action was commenced in 1983. The parties are now conducting pretrial discovery. In April 1984 the Company filed a motion for judgment on the pleadings on the basis that plaintiffs' claims were preempted by the Federal Cigarette Labeling and Advertising Act. This motion was denied and leave to appeal to the U.S. Court of Appeals for the Third Circuit has been granted. *Reach* v. *Loew's Theatres, Inc., et al.* Superior Court

91756526

of New Jersey. This action was commenced in 1983 and the Company was added as a defendant in 1984. It is in the pretrial discovery stage. *Haines* v. *Loew's Theatres, Inc., et al.* Federal District Court in New Jersey. This action was commenced in 1984 and is in the pretrial discovery stage. *Semowich* v. *Loew's Theatres, Inc., et al.* Supreme Court of New York. This action was commenced in 1984. Pretrial discovery has not yet begun. *Haight* v. *Loew's Theatres, Inc., et al.* Circuit Court of West Virginia. This action, which was commenced in 1984, is now in the pretrial discovery stage. *Kendall* v. *Loew's Theatres, Inc., et al.* District Court of Iowa. This action was commenced in 1984. Pretrial discovery has not yet begun. *Petkovsek v. Loew's Theatres, Inc., et al.* and *Rogers v. Loew's Theatres, Inc., et al.* District Court, Jefferson County, Texas. These actions were commenced in February 1985 and are in a preliminary stage.

Theatres: Under a Consent Judgment entered in the United States District Court for the Southern District of New York in 1952, in *United States* v. *Loew's Incorporated, et al.*, the Company was prohibited from, among other things, engaging in the distribution of motion pictures and acquiring theatres, except upon a showing to the court that any such acquisition would not unduly restrain competition. On February 27, 1980 the Consent Judgment was modified (i) to permit the Company to acquire theatres without court approval, with the exception of certain specified markets where such approval will continue to be required for acquisition of certain existing theatres until February 27, 1990, and (ii) to permit the Company to engage in the distribution of motion pictures subject to restrictions imposed on eight motion picture distributors by various decrees entered in *United States* v. *Paramount, et al.* and *United States* v. *Loew's Incorporated, et al.*, provided that motion pictures produced or distributed by the Company may not be exhibited in the Company's theatres. Among other things, such decrees provide that pictures of such distributors must be offered and licensed to exhibitors picture by picture and theatre by theatre.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices held	Age	First Became Officer
Kenneth Abrams	Vice President	51	1975
Robert J. Hausman	Vice President	61	1973
Barry Hirsch	Vice President and Secretary	51	1971
Herbert C. Hofmann	Vice President	42	1979
Harry Katz	Controller	58	1974
Bernard Myerson	Executive Vice President	67	1963
Roy E. Posner	Vice President	51	1973
Stephen F. Schwartz	Vice President	44	1980
Charles G. Sposato, Jr	Treasurer	57	1981
James S. Tisch	Vice President	32	1981
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	62	1959
Preston R. Tisch	President and Chief Operating Officer	58	1960

Laurence A. Tisch and Preston R. Tisch are brothers, and James S. Tisch is the son of Laurence A. Tisch. None of the other officers or directors of Registrant is related to any other. All executive officers of Registrant have been engaged actively and continuously in the business of Registrant and its predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

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PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters.

Information relating to this item is included on page 2 of the accompanying 1984 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. Selected Financial Data.

The selected financial data appearing on page 2 of the accompanying 1984 Annual Report to Shareholders are incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations appearing on pages 11 and 12 of the accompanying 1984 Annual Report to Shareholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements appearing on pages 14 through 31 of the accompanying 1984 Annual Report to Shareholders are incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to regulation 14A.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial Statements:

The financial statements appearing on pages 14 through 31 of the accompanying 1984 Annual Report to Shareholders are incorporated herein by reference. The following additional financial data should be read in conjunction with the financial statements in the 1984 Annual Report to Shareholders. Schedules not included with these additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes to consolidated financial statements.

91756528

2. Financial Statement Schedules:

	Page Number
Auditors' Opinion	L-1
Loews Corporation and Subsidiaries:	
Schedule I—Summary of investments—other than investments in related parties as of December 31, 1984	L-2
Schedule III—Condensed financial information of Registrant for the years ended December 31, 1984, 1983 and 1982	L-3
Schedule VIII—Valuation and qualifying accounts for the years ended December 31, 1984, 1983 and 1982	L-7
Schedule IX—Short-term borrowings for the years ended December 31, 1984, 1983 and 1982	L-8
Schedule X—Supplementary income statement information for the years ended December 31, 1984, 1983 and 1982	L-9
Schedule XIV—Supplemental information concerning property/casualty insurance operations for the years ended December 31, 1984, 1983 and 1982	L-10

3. Exhibits:

Description	Exhibit Number
(3) Articles of Incorporation and By-Laws	
Articles of Incorporation of the Registrant as amended to date	3.01
By-Laws of the Registrant as amended to date	3.02
(4) Instruments Defining the Rights of Security Holders, Including Indentures	
The Registrant hereby agrees to furnish to the Commission upon request copies of instruments with respect to long-term debt, pursuant to Item 601(b)(4)(iii) of Regulation S-K.	
(10) Material Contracts	
Employment Agreement between Registrant and Laurence A. Tisch dated March 1, 1971 as amended through May 10, 1983 is incorporated herein by reference to Exhibit 10.01 to Registrant's Reports on Form 10-K for the years ended December 31, 1981 and December 31, 1983 and an amendment dated May 10, 1984 is filed herewith	10.01
Employment Agreement between Registrant and Preston R. Tisch dated March 1, 1971 as amended through May 10, 1983 is incorporated herein by reference to Exhibit 10.02 to Registrant's Reports on Form 10-K for the years ended December 31, 1981 and December 31, 1983, and an amendment dated May 10, 1984 is filed herewith	10.02
Employment Agreement dated June 1, 1976 as amended through July 1, 1981 between a subsidiary of Registrant and Curtis H. Judge, incorporated herein by reference to Exhibit 10.03 to Registrant's Report on Form 10-K for the year ended December 31, 1981 and a supplemental retirement benefits agreement dated July 2, 1984 is filed herewith	10.03
Employment Agreement dated March 1, 1971 as amended through July 1, 1981 between Registrant and Bernard Myerson, incorporated herein by reference to Exhibit 10.04 to Registrant's Report on Form 10-K for the year ended December 31, 1981 and an amendment dated May 22, 1984 is filed herewith	10.04

91756529

Description	Exhibit Number
Employment Agreement dated January 23, 1975 as amended through March 15, 1983 between a subsidiary of Registrant and Edward J. Noha, incorporated herein by reference to Exhibit 10.05 to Registrant's Report on Form 10-K for the year ended December 31, 1982	10.05
(11) Statement Re Computation of Per Share Earnings	
Computation of earnings per share assuming full dilution for the years ended December 31, 1983 and 1982	11.01
(13) Annual Report to Security Holders	
Registrant's 1984 annual report to security holders. Except for those portions of such report which are expressly incorporated by reference in this Form 10-K, such report is furnished for the information of the Commission and is not deemed "filed" as part of this filing	13.01
(22) Subsidiaries of the Registrant	
List of subsidiaries of Registrant	22.01

(b) Reports on Form 8-K:

There were no reports on Form 8-K for the three months ended December 31, 1984.

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SIGNATURES

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.

LOEWS CORPORATION

Dated: March 28, 1985

By Roy E. Posner
(Roy E. Posner, Vice President—Financial Services)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 28, 1985

By Laurence A. Tisch
(Laurence A. Tisch, Chairman of the Board and Principal Executive Officer)

Dated: March 28, 1985

By Roy E. Posner
(Roy E. Posner, Vice President—Financial Services, Principal Financial Officer)

Dated: March 28, 1985

By Harry Katz
(Harry Katz, Controller)

Dated: March 28, 1985

By Charles B. Benenson
(Charles B. Benenson, Director)

Dated: March 28, 1985

By John Brademas
(John Brademas, Director)

Dated: March 28, 1985

By Curtis H. Judge
(Curtis H. Judge, Director)

Dated: March 28, 1985

By Robert B. McKay
(Robert B. McKay, Director)

Dated: March 28, 1985

By John F. Murphy
(John F. Murphy, Director)

Dated: March 28, 1985

By Bernard Myerson
(Bernard Myerson, Director)

Dated: March 28, 1985

By Edward J. Noha
(Edward J. Noha, Director)

Dated: March 28, 1985

By Lester Pollack
(Lester Pollack, Director)

Dated: March 28, 1985

By Alfred P. Slaner
(Alfred P. Slaner, Director)

Dated: March 28, 1985

By Preston R. Tisch
(Preston R. Tisch, Director)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Year Ended December 31, 1985 — Commission File Number 1-6541

LOEWS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-2646102
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue New York, N.Y.	10103
(Address of principal executive offices)	(Zip Code)

(212) 841-1000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No _____

As at March 4, 1986, 81,503,169 shares of Common Stock of the Registrant were outstanding and the aggregate market value of voting stock held by non-affiliates was approximately $3,999,900,000.

Documents Incorporated by Reference:

Portions of the Loews Corporation 1985 Annual Report to Shareholders are incorporated by reference into Parts I and II of this Report. With the exception of those portions which are incorporated by reference in this Annual Report on Form 10-K, the Loews Corporation 1985 Annual Report to Shareholders is not deemed filed as part of this Report.

Portions of the Loews Corporation Notice of Annual Meeting of Stockholders and Proxy Statement dated March 27, 1986 are incorporated by reference into Part III. (Registrant intends to file a definitive proxy statement with the Commission prior to April 30, 1986.)

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LOEWS CORPORATION

INDEX TO ANNUAL REPORT ON
FORM 10-K FILED WITH THE
SECURITIES AND EXCHANGE COMMISSION

For the Year Ended December 31, 1985

PART I

Item No.		Page No.
1	BUSINESS	2
	CNA Financial Corporation	2
	Lorillard, Inc.	8
	Loews Hotels Holding Corporation	11
	Bulova Watch Company, Inc.	12
	Other	13
2	PROPERTIES	13
3	LEGAL PROCEEDINGS	14
4	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	14
	EXECUTIVE OFFICERS OF THE REGISTRANT	14

PART II

5	MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS	15
6	SELECTED FINANCIAL DATA	15
7	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	15
8	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	15
9	DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	15

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to Regulation 14A.

PART IV

14	EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K	15

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PART I

Item 1. Business.

Loews Corporation (hereinafter, together with its subsidiaries, referred to as the "Company" or the "Registrant"), through its subsidiaries, is engaged in the production and sale of cigarettes; the operation of hotels; through its approximately 80% ownership of CNA Financial Corporation ("CNA"), insurance (property, casualty and life); and through its approximately 95% ownership of Bulova Watch Company, Inc. ("Bulova"), the production and sale of watches and other timing devices.

On July 3, 1985, the Company sold substantially all of its motion picture theatre business and the remaining portion was sold through other transactions during 1985. See Note 14 to the Consolidated Financial Statements for additional information pertaining to this discontinued operation.

Information relating to the major business segments from which the Company's consolidated revenues and income are derived is contained on pages 8 and 9 in the accompanying 1985 Annual Report to Shareholders.

CNA FINANCIAL CORPORATION

CNA's principal business is insurance. As a multiple-line insurer, CNA underwrites property, casualty, life, and accident and health coverages.CNA's principal market for insurance is the United States. CNA's foreign operations are not significant.

CNA's property and casualty insurance operations are conducted by Continental Casualty Company and its property and casualty insurance affiliates, and its life insurance operations are conducted primarily by Continental Assurance Company and its life insurance affiliates.

The tabular information relating to CNA on pages 3 through 6 of this Report is based on the accounts of CNA and its subsidiaries and does not give effect to purchase value adjustments arising from the Company's acquisition of CNA shares.

PROPERTY AND CASUALTY INSURANCE

CNA's property and casualty insurance operations market commercial and personal lines of property and casualty insurance through independent agents and brokers. Commercial business includes such lines as workers' compensation, general liability, multiple peril, professional and specialty, and reinsurance. Personal lines primarily consist of automobile and homeowners insurance.

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The following table sets forth supplemental data for the property and casualty business:

	Years Ended December 31,		
	1985	1984	1983
	(In millions of dollars)		
Commercial Premiums Earned			
Workers' compensation	$ 495.9	$ 416.5	$ 356.6
General liability	443.2	268.6	232.3
Multiple peril	262.4	159.9	130.1
Professional and specialty	467.0	293.9	212.8
Reinsurance	221.7	140.7	121.1
Accident and health	120.4	119.8	111.0
Other	38.0	32.1	47.3
	$2,048.6	$1,431.5	$1,211.2
Personal Premiums Earned			
Private passenger	$ 237.3	$ 214.8	$ 202.2
Personal property	92.0	81.6	81.8
Accident and health	56.5	56.1	54.9
Other	5.3	5.0	4.6
	$ 391.1	$ 357.5	$ 343.5
Investment Income			
Commercial	$ 507.5	$ 411.4	$ 352.3
Personal	58.1	56.8	49.0
	$ 565.6	$ 468.2	$ 401.3
Other Data (a)			
Statutory capital and surplus	$1,314.9	$1,066.3	$1,047.8
Written to surplus ratio	2.1	1.7	1.4
Trade Ratios (a)(b)			
Loss ratio	94.5%	96.6%	89.2%
Expense ratio	26.8%	29.0%	29.5%
Combined ratio (before policyholder dividends)	121.3%	125.6%	118.7%
Policyholder dividend ratio	1.0%	.6%	1.0%

(a) Other Data and Trade Ratios are generally determined on the basis of statutory accounting principles and reflect capital contributions from CNA of $101.5 million in 1985. Property and casualty insurance subsidiaries received reimbursement from CNA for general management and administrative expenses in the amounts of $78.4, $65.0 and $59.8 million in 1985, 1984 and 1983, respectively.

(b) Trade Ratios are measures of property and casualty underwriting results. The combined ratio is the sum of the loss ratio and the expense ratio. The loss ratio is the percentage of the incurred claims and claim adjustment expenses to premiums earned. The expense ratio is the percentage of statutory underwriting expenses to premiums written and the policyholder dividend ratio is the ratio of such dividends, based upon generally accepted accounting principles, to premiums earned.

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Property and Casualty Claims and Claim Expenses: Insurance reserves for the property and casualty insurance subsidiaries are based on (a) case basis estimates for losses reported on direct business, adjusted in the aggregate for ultimate loss expectations, (b) estimates of unreported losses based upon past experience, (c) estimates of assumed and ceded insurance, (d) estimates of future expenses to be incurred in settlement of claims and (e) estimates of claim recoveries. Loss reserve calculations are based on quantitative techniques which utilize historical trends to project future payments. Other factors, including mix of business and the anticipated effects of inflation, are implicit in the estimation process. The schedule on page 3 provides information on mix of business. Reserve estimates are continuously monitored and, as experience develops, adjustments are reflected in current operations.

Claim and claim expense reserves represent ultimate expected future payments without discount. The only difference between the reserve balances reported in the financial statements prepared in accordance with generally accepted accounting principles (GAAP) and those prepared under statutory accounting practices relates to the treatment of salvage and subrogation. Salvage and subrogation are recorded on a cash basis for statutory purposes but are accrued for GAAP purposes resulting in a $20 million difference in total reserves at December 31, 1985.

The retention limits of CNA vary by type of coverage and are based on individual risks underwritten. In general, retention limits have been increased with the growth in underwriting capacity. There have been no portfolio reserve transfers or unique reinsurance transactions that have had a material impact on net income.

The table below provides a reconciliation between beginning and ending claim and claim expense reserve balances for 1985, 1984 and 1983. The unfavorable reserve development in 1985 and 1984 is primarily attributable to adverse claim experience under liability coverages. Certain insurance policies are subject to retroactive premium adjustments, based on various factors including loss experience. As a result, CNA also recorded increases to premiums of $25 million and $36 million in 1985 and 1984 related to prior years.

Changes in Reserves for Property/Casualty Claims and Claim Expenses

	Years Ended December 31,		
	1985	1984	1983
	(In Millions of Dollars)		
Reserves at beginning of year	$4,106	$3,475	$3,136
Incurred claims and claim expenses:			
Provision for insured events of current year	2,224	1,650	1,409
Increase (decrease) in provision for insured events of prior years	75	74	(24)
	2,299	1,724	1,385
Payments:			
Attributable to current year events	477	409	378
Attributable to prior year events	941	797	731
Reserve assumption from Continental Assurance Company*:			
Current year	(462)	(391)	(278)
Prior year	391	278	215
	1,347	1,093	1,046
Reserves at end of year	$5,058	$4,106	$3,475

*Represents asset transfers with Continental Assurance Company under a reinsurance agreement under which certain group accident and health insurance business is ceded to Continental Casualty Company.

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The following table dis ; the development of financial statement cl. and claim expense reserves for 1976 through 1985. In this table, development of reserves is included in each calendar year between the dates of loss and recognition. Therefore, the deficiencies reflected below are cumulative and should not be summed.

Consolidated Continental Casualty Company
Schedule of Property/Casualty Loss Reserve Development
Years Ended December 31,

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
	(In Millions of Dollars)									
Reserves for unpaid claims and claim expenses	$1,350	$1,542	$1,765	$2,067	$2,416	$2,856	$3,136	$3,475	$4,106	$5,058
Paid (Cumulative) as of:										
One year later	424	410	464	512	603	869	946	1,075	1,331	—
Two years later	648	676	722	837	1,011	1,305	1,424	1,627	—	—
Three years later	834	861	919	1,122	1,295	1,622	1,796	—	—	—
Four years later	966	1,005	1,119	1,322	1,529	1,890	—	—	—	—
Five years later	1,073	1,155	1,256	1,484	1,705	—	—	—	—	—
Six years later	1,181	1,256	1,367	1,602	—	—	—	—	—	—
Seven years later	1,261	1,342	1,453	—	—	—	—	—	—	—
Eight years later	1,325	1,405	—	—	—	—	—	—	—	—
Nine years later	1,374	—	—	—	—	—	—	—	—	—
Reserves Reestimated as of:										
End of current year	1,350	1,542	1,765	2,067	2,416	2,856	3,136	3,475	4,106	5,058
One year later	1,400	1,580	1,795	2,133	2,455	2,893	3,112	3,549	4,181	—
Two years later	1,450	1,614	1,850	2,138	2,496	2,878	3,185	3,662	—	—
Three years later	1,481	1,673	1,834	2,199	2,468	2,923	3,277	—	—	—
Four years later	1,545	1,686	1,896	2,170	2,471	2,984	—	—	—	—
Five years later	1,559	1,748	1,880	2,164	2,514	—	—	—	—	—
Six years later	1,614	1,745	1,862	2,203	—	—	—	—	—	—
Seven years later	1,622	1,715	1,900	—	—	—	—	—	—	—
Eight years later	1,605	1,753	—	—	—	—	—	—	—	—
Nine years later	1,651	—	—	—	—	—	—	—	—	—
Deficiency	(301)	(211)	(135)	(136)	(98)	(128)	(141)	(187)	(75)	—

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LIFE INSURANCE

CNA's life insurance operations market individual and group insurance products through licensed agents, most of whom are independent contractors, who sell life insurance for CNA and for other companies on a commission basis. Individual insurance products, including life, accident and health and annuity products, are sold to individuals and small businesses. Group insurance products, including life, accident and health insurance, and pension products, are sold to employers, employer associations and trusts ranging in size from small local employers to large multinational corporations.

The following table sets forth supplemental data for the life insurance business:

	Years Ended December 31,		
	1985	1984	1983
	(In millions of dollars)		
Individual Premiums			
Life	$ 284.6	$ 237.0	$ 214.0
Accident and health	16.1	16.5	16.9
Annuities	10.1	9.3	2.2
	$ 310.8	$ 262.8	$ 233.1
Group Premiums			
Life	$ 77.0	$ 66.8	$ 84.4
Accident and health	949.5	903.4	780.6
Annuities (a)	66.0	52.5	44.0
	$1,092.5	$1,022.7	$ 909.0
Investment and Other Income			
Individual	$ 113.2	$ 130.4	$ 108.2
Group	122.0	113.7	118.6
	$ 235.2	$ 244.1	$ 226.8
Gross Life Insurance in Force			
Individual	$ 51,607	$ 37,950	$ 23,723
Group	12,960	13,558	19,602
	$ 64,567	$ 51,508	$ 43,325
Other Data (b)			
Statutory capital and surplus	$ 437.3	$ 313.7	$ 306.2
Statutory capital and surplus— percent of total liabilities	19.7%	14.1%	14.2%
Participating policyholders—percent of gross life insurance in force	4.0%	6.9%	8.8%

(a) Group annuity premiums include $52.0, $41.0 and $33.2 million in 1985, 1984 and 1983, respectively, of single premium annuities purchased by casualty insurance affiliates covering claims settled on a periodic payment basis.

(b) Other Data is on the basis of statutory accounting principles and reflects dividends paid to Continental Casualty Company ("Casualty") of $25.8 million in 1984 and capital contributions from Casualty of $20.8 million in 1984. Life insurance subsidiaries received reimbursement from CNA for general management and administrative expenses in the amounts of $27.1, $27.2 and $25.3 million in 1985, 1984 and 1983, respectively.

Statutory capital and surplus as a percent of total liabilities is determined after excluding Separate Account liabilities and reclassifying Mandatory Securities Valuation Reserve as surplus.

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Reinsurance: CNA's insurance operations assume and cede insurance from and to other insurers and members of various reinsurance pools and associations. Reinsurance is assumed and ceded on both a pro rata and excess basis. Reinsurance arrangements are utilized to limit maximum loss, to provide greater diversification of risk and to minimize exposures on larger risks. The ceding of insurance does not discharge the primary liability of the original insurer. It is the practice of insurers to account for the portion of risks which have been reinsured with other companies as though they were risks for which the original insurer is not liable.

Competition: All aspects of the insurance business are highly competitive. CNA's insurance operations compete with a large number of stock and mutual insurance companies and other entities for both producers and customers and must continuously allocate resources to refine and improve their insurance products and services. Based on net premiums written in 1984, Continental Casualty Company is ranked 15th among approximately 3,500 companies writing property and casualty insurance in the United States. Continental Assurance Company is ranked 21st among approximately 2,100 life insurance companies in the United States, based on premium revenue in 1984.

Regulation: The insurance industry is subject to comprehensive and detailed regulation and supervision throughout the United States. Each state has established supervisory agencies with broad administrative power relative to licensing insurers and agents, approving policy forms, establishing reserve requirements, fixing minimum interest rates for accumulation of surrender values and maximum interest rates of policy loans, prescribing the form and content of statutory financial reports and regulating the type and amount of investments permitted. Regulatory powers also extend to premium rate regulation which requires that rates not be excessive, inadequate or unfairly discriminatory. Current and proposed Federal measures which may significantly affect the insurance business include amendments to the McCarran-Ferguson Act, pension regulations (ERISA), rate classification legislation, controls on medical care costs and Federal income tax legislation.

In addition, insurance holding company laws of several states grant power to state insurance commissioners to regulate the acquisition of domestic insurance companies, to require registration of companies and periodic disclosure of relevant information, and to regulate certain transactions with affiliates. Generally, the declaration of dividends by an insurance company subsidiary to its parent in excess of specified minimum amounts is subject to regulatory approvals. In addition, material intercompany transactions involving insurance company subsidiaries may also be subject to regulatory approvals.

Properties: CNA Plaza, owned by Continental Assurance Company, is a 1,097,000 square foot office complex located at 333 S. Wabash, Chicago, Illinois. The forty-five story office building serves as the home office for CNA and its insurance affiliates. CNA Plaza and the adjacent building (a 454,000 square foot building located at 55 E. Jackson Blvd.) are partially situated on ground under leases expiring in 2058 and 2067. Approximately 69% of the adjacent building is rented to non-affiliates.

CNA also maintains four regional offices and thirty-eight branch offices in major cities throughout the United States. This office space is leased except for offices located in four CNA-owned buildings.

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LORILLARD, INC.

Sales of cigarettes account for approximately 97% of the net sales of the Company's wholly-owned subsidiary, Lorillard, Inc. ("Lorillard"). The principal cigarette brand names of Lorillard are Kent, Kent III, Kent Golden Lights, Newport, True, True Gold, Satin, Max, Old Gold and Triumph. Other tobacco products include little cigars, small cigars and chewing tobacco.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. Introduction of new brands, brand extensions and packings require the expenditures of substantial sums for advertising and sales promotion, with no assurance of consumer acceptance. The advertising media presently used by Lorillard include magazines, newspapers, out-of-home advertising, point-of-sale display materials and, for chewing tobacco, radio and television. Sales promotion activities are conducted by distribution of samples and store coupons, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Cigarette and little cigar advertising is prohibited on radio and television. Radio and television stations, however, continue to broadcast anti-smoking messages and the Federal Communications Commission has determined that the "fairness doctrine," requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues, creates no right to reply to such messages.

Since 1965 Federal law has required that cigarettes manufactured, packaged or imported into the United States, bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health." In 1972 Lorillard and the other cigarette manufacturers agreed, pursuant to consent orders entered into with the Federal Trade Commission ("FTC") to include the health warning statement in print advertising, on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner.

Effective October 12, 1985, the new Federal Comprehensive Smoking Education Act requires the use on cigarette packaging and advertising of one of the following four warning statements, in lieu of the prior warning notice, on a rotating basis: (1) "SURGEON GENERAL'S WARNING: Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy." (2) "SURGEON GENERAL'S WARNING: Quitting Smoking Now Greatly Reduces Serious Risks To Your Health." (3) "SURGEON GENERAL'S WARNING: Smoking By Pregnant Women May Result in Fetal Injury, Premature Birth, and Low Birth Weight." (4) "SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide." Four shortened versions of these statements are required, on a rotating basis, for use on billboards. This law also requires that each person who manufactures, packages or imports cigarettes shall provide to the Secretary of Health and Human Services a list of the ingredients added to tobacco in the manufacture of cigarettes. Such list of ingredients may be submitted in a manner which does not identify the company which uses the ingredients or the brand of cigarettes which contain the ingredients.

The new Federal Comprehensive Smokeless Tobacco Health Educational Act of 1986 was enacted into law on February 27, 1986 and will require the use on smokeless tobacco packaging and advertising (other than outdoor billboards) of one of the following three warning statements, on a rotating basis: (1) "Warning: This Product May Cause Mouth Cancer." (2) "Warning: This Product May Cause Gum Disease And Tooth Loss." (3) "Warning: This Product Is Not A Safe Alternative To Cigarettes." These warning statements are contemplated to begin to appear within one year from the date of enactment of the Act. The Act also prohibits the advertising of smokeless tobacco on radio and television six months from the date of enactment.

Several states, counties, municipalities, and Federal and state agencies have enacted or are considering legislation and regulations intended to discourage or restrict smoking, including legislation to prohibit smoking in specified public places, and to prohibit or restrict the sampling of cigarettes in public places. From time to time, bills have been introduced in Congress, among other things, to end or limit price supports for leaf tobacco; to prohibit advertising of any tobacco product on any medium of electronic communication; to provide that cigarette advertising not be a deductible business expense; to tax cigarettes on the basis of their "tar" and nicotine content; to require the FTC to promulgate standards

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establishing maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes; to prohibit the mailing of unsolicited samples of cigarettes; to impose an additional excise tax on cigarettes with proceeds to be used for health research, and to supplement the Medicare Trust Fund; to require that cigarettes be manufactured in a manner that will cause them, under certain circumstances, to be self-extinguishing. The Federal Safety Act, passed in 1984, established a Technical Study Group to conduct a 30-month study and report to the Congress on its findings regarding the technical and commercial feasibility, economic impact, and other consequences of developing cigarettes and little cigars that will have a minimum propensity to ignite upholstered furniture or mattresses.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets, and through chain store organizations and vending machine operators, many of whom purchase their requirements directly, and by direct sales to the U.S. Armed Forces. Lorillard tobacco products are stored in public warehouses throughout the country to provide for rapid distribution to customers.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco and burley tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by commission buyers at tobacco auctions. Lorillard also purchases various types of Near Eastern tobacco, grown in Turkey and other Near Eastern countries and uses seed leaf tobacco grown mostly in Wisconsin and Pennsylvania, for use in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives. In addition, Lorillard purchases substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories.

Due to the varying size and quality of annual crops and other economic factors, tobacco prices in the past have been subject to wide fluctuations. Among the economic factors are Federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1985, the average auction price per pound for flue-cured tobacco increased from a low of approximately $1.104 in 1976 to a high of approximately $1.811 in 1984, or 64%. During this period, the average auction price per pound for burley increased from a low of approximately $1.142 in 1976 to a high of approximately $1.876 in 1984, or 64%. The prices paid by Lorillard have generally been consistent with this trend. During 1985, Lorillard increased the wholesale price of its king size cigarettes by $2.00 per thousand and its 100 and 120 millimeter cigarettes by $2.25 per thousand, in the aggregate.

Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements. Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. See Note 1 to the Consolidated Financial Statements for inventory costing method.

Taxes: The price of cigarettes include federal excise taxes at the rate of $8.00 per 1,000 cigarettes. (Although the tax rate dropped to $4.00 per 1,000 cigarettes on March 14, 1986, legislation retroactively restoring the $8.00 rate has been passed by Congress and is expected to be enacted into law shortly.) Excise taxes on cigarettes, which are levied upon and paid by the distributors, are also in effect in the fifty states, the District of Columbia and many municipalities. The state taxes generally range from 2 cents to 28 cents per package of twenty cigarettes.

Properties: The properties of Lorillard are employed principally in the processing and storage of tobacco and in the manufacture and storage of tobacco products. Its principal properties are owned in fee. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and cigarette making, wrapping and packaging machinery is of modern design and high-speed capacity. Lorillard has manufacturing plants at Greensboro, North Carolina and Louisville, Kentucky. The Greensboro plant, devoted exclusively to the manufacture of cigarettes, is located on approximately 79 acres and contains approximately 942,600 square feet. The Louisville plant, which consists of multi-

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storied buildings totaling about 345,000 square feet of floor space on approximately 24 acres, is utilized for the manufacture of little cigars and chewing tobacco. The manufacture of cigarettes at this facility was terminated in late 1985 and consolidated into the Greensboro facility. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia, containing approximately 1,500,000 square feet, and facilities for receiving, handling and storing leaf tobacco at Westby and Stoughton, Wisconsin and Lancaster and Columbia, Pennsylvania. Lorillard anticipates that the storage of tobacco at the Pennsylvania facilities will be terminated by 1987 and consolidated into Lorillard's facilities at Danville, Virginia. A modern research facility containing approximately 82,000 square feet is located at Greensboro. Lorillard leases executive offices at 666 Fifth Avenue, New York, New York.

Competition: All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total taxable factory removals of all cigarettes manufactured in the United States and total taxable factory removals of all cigarettes manufactured by Lorillard, indicates the relative position of Lorillard in the industry:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry**
1985	594,921,000	47,641,000	8.0%
1984	597,895,000	48,562,000	8.1%
1983	597,466,000	54,336,000	9.1%

*Source: Bureau of Alcohol, Tobacco and Firearms.

**The Maxwell Report, which provides a quarterly statistical survey of the cigarette industry, has reported that in 1985, 1984, and 1983, Lorillard's share of the domestic market was 8.1%, 8.2% and 9.2%, respectively, based on estimated cigarette output by company.

On the basis of information currently available, Lorillard ranks fourth among the major producers of tobacco products in the United States.

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LOEWS HOTELS HOLDING CORPORATION

The subsidiaries of Loews Hotels Holding Corporation ("Loews Hotels"), a wholly-owned subsidiary of the Company, presently operate the following 14 hotels and motor hotels:

Name and Location	Type	Number of Rooms* (Year Opened)	Owned, Leased or Managed
Loews Anatole Dallas, Texas	Luxury Hotel	1,620 (1979)	Management contracts expiring 1999
Loews Glenpointe Teaneck, New Jersey	Luxury Hotel	350 (1983)	Management contract expiring 2008, with renewal options for 15 years (3)
Loews Harbour Cove Paradise Island, Nassau, the Bahamas	Resort Hotel	250 (1970 (1))	Owned
Howard Johnson's Motor Lodge (2) New York, New York	Motor Hotel	300 (1962)	Owned
Loews La Napoule La Napoule, France	Resort Hotel	220 (1983)	Lease expiring 2003
Loews Le Concorde Quebec City, Canada	Luxury Hotel	424 (1974)	Management contract expiring 2005 with renewal options for 18 years (3)
Loews L'Enfant Plaza Washington, D.C.	Luxury Hotel	372 (1973)	Management contract expiring 1988 (3)
Loews Monte Carlo Monte Carlo, Monaco	Resort Hotel	622 (1975)	Lease expiring 2002 with renewal options for 20 years
Loews Paradise Valley Resort Paradise Valley, Arizona	Resort Hotel	353 (1984)	Management contract expiring 2014 (3)
Ramada Inn (2) New York, New York	Motor Hotel	366 (1962)	Owned
Regency New York, New York	Luxury Hotel	496 (1963)	Land lease expiring 2011 with renewal options for 49 years
Loews Summit New York, New York	First Class Hotel	767 (1961)	Owned
Loews Ventana Canyon Resort Tucson, Arizona	Resort Hotel	366 (1984)	Management contract expiring 2004 (3)
Loews Westbury Toronto, Canada	First Class Hotel	550 (1956 (1))	Lease expiring 1998

*As of December 31, 1985.

(1) The Harbour Cove Hotel was acquired by Loews Hotels in 1980 and the lease for the Westbury Hotel was acquired in 1978.

(2) Operated by Loews Hotels under license agreements pursuant to which Loews Hotels pays royalty fees on sales, as defined in the agreements, for the use of the respective trade names, trademarks and other rights.

(3) These management contracts are subject to termination rights.

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The hotels at La Napoule and Monte Carlo each include a casino operated by a joint venture in which Loews Hotels is a co-venturer. In addition, the hotels which are operated by Loews Hotels contain shops, a variety of restaurants and lounges, and some contain parking facilities, swimming pools, tennis courts and access to golf courses.

The hotels owned by Loews Hotels (including those owned and leased to third parties) are subject to mortgage indebtedness aggregating approximately $41,796,000 at December 31, 1985 with interest rates ranging from 6% to 8%, and maturing between 1986 and 1996. These amounts do not include long-term liabilities related to the capitalization of leases amounting to $21,249,000 at interest rates ranging from 5% to 9.5%.

Loews Hotels has leased to a joint venture the Sheraton Centre and the Sheraton City Squire Inn, in New York City, for terms expiring in 2002 and 2000, respectively. The leases, which contain purchase options on the part of lessees, are guaranteed by American Airlines, Inc. and Sheraton Corporation and provide for payment of fixed aggregate annual rent and a percentage rental with provisions for maximum fixed annual and percentage rents.

Competition from other hotels, motor hotels and inns, including facilities owned by local interests and by national and international chains, is vigorous in all areas in which Loews Hotels operates. The demand for hotel rooms in many areas is seasonal and dependent on general and local economic conditions. Loews Hotels also compete with facilities offering similar services in locations other than those in which the Company's hotels are located. Competition among luxury hotels is based primarily on location and service. Competition among resort and commercial hotels is based on price as well as location and service. As reported by "Institutions", a trade publication, Loews Hotels ranked 32nd among the world's largest hotel organizations at the end of 1984. Because of the competitive nature of the industry, hotel and motor hotel operations must continually make expenditures for updating, refurnishing and repairs and maintenance, in order to prevent competitive obsolescence.

BULOVA WATCH COMPANY, INC.

Bulova's consumer products segment distributes and sells watches and clocks for consumer use, timepiece parts and power cells. Its industrial and defense products segment manufactures and sells fuzes for national defense.

Consumer Products: Bulova distributes and sells quartz-crystal watches with analog and liquid crystal display, jeweled-lever watches and various types of clocks. All watch movements and cases and other components and all clocks are purchased from foreign and domestic suppliers. Watches are sold by Bulova principally in the United States, Canada and Italy. In most other areas of the world, Bulova has appointed an exclusive distributor of certain watches bearing Bulova's trademarks; however, such distribution agreement will terminate on March 31, 1986 unless extended. The consumer products business is seasonal, with the greatest sales coming in the third and fourth quarters in expectation of the holiday selling season. The consumer products business is intensely competitive. The principal methods of competition are price, aftersale service, warranty, product performance and styling.

Industrial and Defense Products: The principal products of this segment are mechanical time fuzes for national defense sold to the United States government. These sales accounted for substantially all of the sales of this segment and approximately 37% of Bulova's total sales in 1985.

The backlog of defense products sales amounted to $59.8 million as of December 31, 1985 and $42.3 million as of December 31, 1984. The current backlog is expected to be filled during 1986.

The defense business is intensely competitive. The principal methods of competition are price and product performance. Defense business represents mostly competitive fixed-price contracts awarded by the United States government.

Patents, Research and Development: Bulova has various United States and foreign patents expiring between 1986 and 2002 and various pending patent applications.

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Properties: Bulova sold its watch casing plant in Jackson Heights, New York in which its principal executive offices are located and has leased back 385,000 square feet of the building. Bulova owns a 39,500 square foot watch and clock assembly plant in Toronto, Canada and leases a 71,000 square foot clock assembly plant in Maspeth, New York. In addition, Bulova leases two plants in Valley Stream, New York consisting of 11,400 square feet and 133,400 square feet (the latter is owned by Bulova's Employees' Retirement Plan Trust) and a plant in Freeport, New York (62,000 square feet) for the manufacture of defense products.

OTHER

The Company, through a wholly-owned subsidiary, owns approximately 12% of the outstanding common stock of CBS Inc. and may acquire up to 25% of such outstanding common stock, subject to market conditions and other factors considered relevant by the Company. On November 13, 1985, Laurence A. Tisch, Chairman of the Board of Directors and Chief Executive Officer of the Company, was elected to the Board of Directors of CBS Inc.

On May 29, 1985, President Reagan submitted proposals for tax reform to Congress. On December 17, 1985, the House of Representatives approved a comprehensive tax reform plan, and sent its Bill (H.R. 3838) to the Senate for consideration. The Senate Finance Committee currently is conducting its own tax reform initiatives. Under various of these proposals, the Company would be taxed less favorably than under current law. It is impossible to predict the likely outcome of these proposals.

EMPLOYEE RELATIONS

The Company, inclusive of its operating subsidiaries as described below, employed approximately 21,900 persons at December 31, 1985.

Lorillard employed approximately 4,800 persons at December 31, 1985, approximately 3,300 of whom are represented by labor unions under separate contracts with many local unions expiring at varying times and severally renegotiated and renewed. Lorillard considers its employee relations to be satisfactory.

Lorillard has collective bargaining agreements covering hourly-rated production and service employees at various Lorillard plants with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. Lorillard has a retirement plan, a deferred profit sharing plan, and other benefits for its hourly-paid employees who are represented by the foregoing unions.

Loews Hotels employed approximately 2,200 persons at December 31, 1985, approximately 2,000 of whom are union members covered under collective bargaining agreements. Loews Hotels has experienced satisfactory labor relations and provides comprehensive benefit plans for its hourly-paid employees.

The Company maintains a retirement plan, group life, disability and health insurance program, and a savings plan for its salaried employees. Lorillard and Loews Hotels salaried employees also participate in these benefit plans.

CNA and its subsidiaries employ approximately 12,800 persons and have experienced satisfactory labor relations. CNA and its subsidiaries have comprehensive benefit plans for substantially all of their employees including a retirement plan, a savings plan, a disability program, a group life program and a group health care program.

Bulova and its subsidiaries employ approximately 1,650 persons, approximately 1,000 of whom are union members. Bulova and its subsidiaries have experienced satisfactory labor relations. Bulova has comprehensive benefit plans for substantially all employees.

Item 2. Properties.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1.

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Item 3. Legal Proceedings.

Lorillard: 1. By decree dated November 16, 1911 of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America v. The American Tobacco Company* and others, each of fourteen corporations, including Lorillard, was prohibited from, among other things, (i) making transfers of certain of its property to any other of those corporations, (ii) making any agreement of types deemed anti-competitive with any other of those corporations, (iii) holding stock in a corporation whose stock is also held by another of those corporations and (iv) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

2. From time to time actions and claims have been asserted against Lorillard and other leading tobacco manufacturers seeking damages for cancer and other health effects claimed to have resulted from tobacco use. Presently, approximately 94 such actions are pending in the U.S. federal and states courts against tobacco manufacturers generally and Lorillard is named as a defendant in twenty of them, including one case in which the Company is also named as a defendant. Of these actions, 74 against the industry and fifteen against Lorillard have been commenced since January 1, 1985. Plaintiffs have asserted claims based on, among other things, theories of negligence, fraud, misrepresentation, strict liability, breach of warranty, violation of state consumer laws, enterprise liability, civil conspiracy, intentional infliction of harm, and failure to warn of the allegedly harmful or addictive nature of tobacco products. Plaintiffs seek compensatory and punitive damages which in many cases are unspecified and in others are stated to amount to as much as $25,000,000 as to compensatory damages and as much as $200,000,000 as to punitive damages. Any adverse development in a smoking and health case, whether or not Lorillard is a party, could prompt the filing of additional smoking and health cases. Lorillard intends to defend vigorously all such actions which may be brought against it.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Position and Offices held	Age	First Became Officer
Kenneth Abrams	Vice President—Personnel	52	1975
Robert J. Hausman	Vice President	62	1973
Barry Hirsch	Vice President and Secretary	52	1971
Herbert C. Hofmann	Vice President—Operations Planning	43	1979
Harry Katz	Controller	59	1974
John G. Malino	Vice President—Real Estate	46	1985
Roy E. Posner	Vice President—Financial Services	52	1973
Stephen F. Schwartz	Vice President—Tax	45	1980
Charles G. Sposato, Jr	Treasurer	58	1981
Andrew H. Tisch	Vice President—Strategic Planning	36	1985
James S. Tisch	Vice President—Financial Analysis	33	1981
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	63	1959
Preston R. Tisch	President and Chief Operating Officer	59	1960

Laurence A. Tisch and Preston R. Tisch are brothers, and Andrew H. Tisch and James S. Tisch are the sons of Laurence A. Tisch. None of the other officers or directors of Registrant is related to any other. All executive officers of Registrant have been engaged actively and continuously in the business of Registrant and its predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

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PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters.

Information relating to this item is included on page 1 of the accompanying 1985 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. Selected Financial Data.

The selected financial data appearing on page 1 of the accompanying 1985 Annual Report to Shareholders are incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations appearing on pages 10 and 11 of the accompanying 1985 Annual Report to Shareholders is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements appearing on pages 12 through 30 of the accompanying 1985 Annual Report to Shareholders are incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

PART III

Information called for by Part III has been omitted as Registrant intends to file with the Securities and Exchange Commission not later than 120 days after the close of its fiscal year a definitive Proxy Statement pursuant to regulation 14A.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial Statements:

The financial statements appearing on pages 12 through 30 of the accompanying 1985 Annual Report to Shareholders are incorporated herein by reference. The following additional financial data should be read in conjunction with the financial statements in the 1985 Annual Report to Shareholders. Schedules not included with these additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes to consolidated financial statements.

2. Financial Statement Schedules:

	Page Number
Auditors' Opinion	L-1
Loews Corporation and Subsidiaries:	
Schedule I—Summary of investments—other than investments in related parties as of December 31, 1985	L-2
Schedule III—Condensed financial information of Registrant for the years ended December 31, 1985, 1984 and 1983	L-3
Schedule VIII—Valuation and qualifying accounts for the years ended December 31, 1985, 1984 and 1983	L-7
Schedule IX—Short-term borrowings for the years ended December 31, 1985, 1984 and 1983	L-8
Schedule X—Supplementary income statement information for the years ended December 31, 1985, 1984 and 1983	L-9
Schedule XIV—Supplemental information concerning property/casualty insurance operations for the years ended December 31, 1985, 1984 and 1983	L-10

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3. Exhibits:

Description	Exhibit Number
(3) Articles of Incorporation and By-Laws	
Articles of Incorporation of the Registrant as amended to date	3.01
By-Laws of the Registrant as amended to date, incorporated by reference to Exhibit 3.02 to Registrant's Report on Form 10-K for the year ended December 31, 1984	3.02
(4) Instruments Defining the Rights of Security Holders, Including Indentures	
The Registrant hereby agrees to furnish to the Commission upon request copies of instruments with respect to long-term debt, pursuant to Item 601(b) (4) (iii) of Regulation S-K.	
(10) Material Contracts	
Employment Agreement between Registrant and Laurence A. Tisch dated March 1, 1971 as amended through May 10, 1983 is incorporated herein by reference to Exhibit 10.01 to Registrant's Reports on Form 10-K for the years ended December 31, 1981, December 31, 1983 and December 31, 1984 and an amendment dated October 15, 1985 is filed herewith	10.01
Employment Agreement between Registrant and Preston R. Tisch dated March 1, 1971 as amended through May 10, 1983 is incorporated herein by reference to Exhibit 10.02 to Registrant's Reports on Form 10-K for the years ended December 31, 1981, December 31, 1983 and December 31, 1984 and an amendment dated October 15, 1985 is filed herewith	10.02
Employment Agreement dated January 11, 1985 between a subsidiary of Registrant and J. Robert Ave	10.03
Employment Agreement dated November 22, 1982, as amended, between Registrant and Robert J. Hausman	10.04
Employment Agreement dated January 23, 1975 as amended through March 15, 1983 between a subsidiary of Registrant and Edward J. Noha, incorporated herein by reference to Exhibit 10.05 to Registrant's Report on Form 10-K for the year ended December 31, 1982	10.05
(11) Statement Re Computation of Per Share Earnings	
Computation of earnings per share assuming full dilution for the year ended December 31, 1983	11.01
(13) Annual Report to Security Holders	
Registrant's 1985 annual report to security holders. Except for those portions of such report which are expressly incorporated by reference in this Form 10-K, such report is furnished for the information of the Commission and is not deemed "filed" as part of this filing	13.01
(22) Subsidiaries of the Registrant	
List of subsidiaries of Registrant	22.01

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Description	Exhibit Number
(24) Consents of Experts and Counsel	
Consent of Touche Ross & Co.	24.01
(29) Information from Reports furnished to State Insurance Regulatory Authorities	
Schedules O and P of Annual Statements provided to state regulatory authorities by property/casualty insurance subsidiaries for the year ended December 31, 1985	29.01

(b) Reports on Form 8-K:

There were no reports on Form 8-K for the three months ended December 31, 1985.

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SIGNATURES

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.

LOEWS CORPORATION

Dated: March 27, 1986

By Roy E. Posner
(Roy E. Posner, Vice President—Financial Services)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 27, 1986

By Laurence A. Tisch
(Laurence A. Tisch, Chairman of the Board and Principal Executive Officer)

Dated: March 27, 1986

By Roy E. Posner
(Roy E. Posner, Vice President—Financial Services, Principal Financial Officer)

Dated: March 27, 1986

By Harry Katz
(Harry Katz, Controller)

Dated: March 27, 1986

By J. Robert Ave
(J. Robert Ave, Director)

Dated: March 27, 1986

By Charles B. Benenson
(Charles B. Benenson, Director)

Dated: March 27, 1986

By John Brademas
(John Brademas, Director)

Dated: March 27, 1986

By Robert B. McKay
(Robert B. McKay, Director)

Dated: March 27, 1986

By Bernard Myerson
(Bernard Myerson, Director)

Dated: March 27, 1986

By Edward J. Noha
(Edward J. Noha, Director)

Dated: March 27, 1986

By Lester Pollack
(Lester Pollack, Director)

Dated: March 27, 1986

By Alfred P. Slaner
(Alfred P. Slaner, Director)

Dated: March 27, 1986

By Andrew H. Tisch
(Andrew H. Tisch, Director)

Dated: March 27, 1986

By Preston R. Tisch
(Preston R. Tisch, Director)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

PLEASE RETURN

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Four Months Ended December 31, 1974 — Commission File Number 1-4204

LOEW'S THEATRES, INC.

(Exact name of registrant as specified in its charter)

New York	13-1911176
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
666 Fifth Avenue New York, N. Y. (Address of principal executive offices)	10019 (Zip Code)

(212) 586-4400

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Twenty-five year 3% Debentures, due March 1, 1976	New York Stock Exchange
Twenty-five year 3¾% Debentures, due April 1, 1978	New York Stock Exchange
4⅞% Sinking Fund Debentures, due June 1, 1986	New York Stock Exchange
6⅜% Subordinated Debentures, due April 1, 1993	New York Stock Exchange
6⅞% Subordinated Debentures, due December 1, 1993	New York Stock Exchange
12-year Warrants expiring November 29, 1980	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act—None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No _____

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PART I

ITEM 1. BUSINESS.

Loew's Theatres, Inc. (hereinafter together with its subsidiaries sometimes referred to as the "Company" or the "Registrant") directly and through subsidiaries is primarily engaged in the production and sale of cigarettes and other tobacco products; owning, leasing or operating hotels in the United States, Canada, Europe and the Caribbean; and exhibiting motion pictures in the United States through ownership or operation of motion picture theatres. During the fiscal years ended August 31, 1972 and 1973, the Company transferred to its parent, Loews Corporation ("Loews"), by way of a dividend, the stock of its subsidiaries engaged in residential development, and the Hotel Americana of New York, New York City, the Hotel Americana of San Juan, San Juan, Puerto Rico, and the Warwick Hotel, New York City. On December 2, 1974 (accounted for as of November 30, 1974), Registrant transferred the stock of Lawton General Corp., which held Registrant's investments in securities, to Loews by way of a dividend, to facilitate the pledge of investment securities for borrowing on a margin basis in connection with Loews' acquisition of CNA Financial Corporation.

Lines of Business

The following table sets forth the major sources from which the Registrant's consolidated revenues and earnings are derived and the percentage of total sales and revenues and the percentage of earnings (losses) before interest expense, income taxes and extraordinary items, represented by such sources, for the five fiscal years ended August 31, 1974 and the four months ended December 31, 1974. No general or administrative expenses have been allocated to security gains (losses) or dividend income, and accordingly income from these sources may be overstated to this extent and income from other sources correspondingly understated.

	Total Sales and Revenues*						Earnings (Losses) Before Interest Expense, Income Taxes and Extraordinary Items*					
	Years Ended August 31,					Four Months Ended December 31,	Years Ended August 31,					Four Months Ended December 31,
	1970	1971	1972	1973	1974	1974**	1970	1971	1972	1973	1974	1974**
	In Percents						In Percents					
Hotel operations	17.3	15.5	13.5	7.2	8.2	8.0	20.6	12.1	11.7	4.6	6.5	9.4
Theatre operations	6.1	5.3	5.8	4.3	4.2	3.8	9.9	3.8	3.6	4.9	4.8	2.5
Sales of manufactured products, principally cigarettes	72.3	71.3	69.5	79.4	81.2	83.0	69.0	50.9	50.5	56.8	56.4	42.6
Residential development	.5	4.4	5.8	2.5			(.1)	2.2	1.7	1.1		
Dividend income	1.2	1.4	2.5	3.2	3.2	2.4	7.1	8.1	14.8	16.3	18.9	17.2
Equity income in associated companies							2.7	3.0	1.8		7.9	18.4
Other	2.6	2.1	2.9	3.4	3.2	2.8	2.0		.8	4.3	5.4	.5
Security gains (losses)							(11.2)	19.9	15.1	12.0	.1	9.4

* On February 28, 1973, the stock of Registrant's subsidiaries engaged in residential development was transferred to Loews by way of a dividend.

** On December 2, 1974 (accounted for as of November 30, 1974), the Registrant transferred its subsidiary engaged in holding its investments in securities to Loews by way of a dividend. Dividend income and security gains (losses) in the table above were principally attributable to such subsidiary.

Lorillard Division

On November 29, 1968, the former Lorillard Corporation, which was engaged in the manufacture and sale of cigarettes and other tobacco products, became a wholly-owned subsidiary of the Company. Lorillard Corporation was merged into the Company on July 11, 1969 and its business has since been conducted as a division ("Lorillard") of the Company.

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Cigarettes: Cigarettes represented approximately 98% and 99% of Lorillard net sales for the year ended August 31, 1974 and the four months ended December 31, 1974, respectively. The principal filter cigarette brands of Lorillard are Kent, Kent (Menthol), Newport (Menthol), True and True (Menthol), Old Gold Filters and Spring (Menthol). The principal non-filter cigarette brand is Old Gold Straights. Lorillard is also presently test marketing in various areas of the United States "Zack," a new filter cigarette.

Other Tobacco Products: Other tobacco products represented approximately 2% and 1% of Lorillard net sales for the year ended August 31, 1974 and the four months ended December 31, 1974, respectively. Lorillard's little cigar brands are Between the Acts, Madison, filter tipped Omega, Omega Slim 100's (Natural), Omega Slim 100's (Cherry) and Omega Slim 100's (Menthol). It also markets cigars under the brand name Erik, including Erik (Menthol) and Erik (Cherry). Lorillard's chewing tobacco brands are Beech-Nut, Big Red, Bagpipe and Havana Blossom. In August 1973, Lorillard sold its smoking tobacco business, including trademarks, to the U. S. Tobacco Company.

Advertising and Sales Promotion: Lorillard's principal brands are advertised and promoted extensively. The advertising media presently used by Lorillard include magazines, newspapers, outdoor advertising, point-of-sale display materials and, for tobacco products other than cigarettes and little cigars, radio and television. In addition, Lorillard nationally distributes Gift Star coupons on its Spring, Old Gold Filters, and Old Gold Straights cigarette brands. Sales promotion activities are conducted by distribution of samples, point-of-sale display advertising, advertising of promotions in print media, and personal contact with distributors, retailers and consumers.

Since January 1971, cigarette advertising has been prohibited on electronic broadcast media, including radio and television. Radio and television stations, however, continue to broadcast antismoking messages and the Federal Communications Commission on December 15, 1970 decided that the "fairness doctrine", requiring broadcasters to afford an opportunity for presentation of divergent views on controversial public issues, creates no right to reply to such messages. This ruling has been affirmed by a United States Court of Appeals. Federal law requires that cigarettes manufactured or packaged in the United States, or imported for sale or distribution in this country bear on their package the statement: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health."

In February 1971 Lorillard entered into a voluntary program, which was also adopted by other major domestic manufacturers of cigarettes, to disclose the "tar" and nicotine content of its cigarettes in all printed advertising. In the spring of 1971, Lorillard and other major domestic manufacturers of cigarettes voluntarily embarked upon a program pursuant to which their newspaper, magazine and billboard advertising depicted cigarette packages legibly showing the warning statement that Congress requires on the packages. Early in 1972 Lorillard and the other manufacturers entered into consent orders with the Federal Trade Commission to include the warning statement in print advertising on billboards and on certain categories of point-of-sale display materials relating to cigarettes, in a prominent manner acceptable to the Commission. The requirements of the consent order became fully effective in July of 1972; however, Lorillard's compliance with such requirements commenced in May of 1972. An investigation is presently being conducted by the Federal Trade Commission into the compliance of Lorillard and the five other major domestic manufacturers of cigarettes with the consent order.

Several states and municipalities have enacted or are considering legislation which is intended to discourage smoking or which imposes various restrictions or requirements relating to cigarettes, including prohibiting smoking in specified public places. From time to time bills have been introduced in Congress to end or limit price supports for leaf tobacco, to provide that cigarette advertising is not a deductible business expense, to tax cigarettes on the basis of their "tar" and nicotine content, to require the Federal Trade Commission to promulgate standards establishing certain maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes, and to require segregation of smokers and nonsmokers on interstate public transportation. Except with respect to three days of hearings in February 1972 on the bill to require the Federal Trade Commission to promulgate standards establishing certain maximum acceptable levels of "tar", nicotine and "other incriminated agents" in cigarettes, no hearings

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have thus far been held in Congress on such proposed legislation. Proposals have also been advanced to increase the already heavy incidence of Federal, state and local taxation of cigarettes and other tobacco products.

During recent years little cigars were subjected to vigorous attack on the grounds that they are in reality cigarettes and should be subject to the same restrictions as cigarettes. On February 16, 1973, Lorillard announced that it would voluntarily discontinue the advertising of little cigars on radio and television as soon as possible. Pursuant to amendment to the Federal Cigarette Labeling and Advertising Act of 1965, as amended, effective on October 30, 1973, little cigars became subject to the same statutory prohibitions against advertising on electronic broadcast media as cigarettes.

Proceedings are presently pending in the United States District Court for the District of Columbia seeking injunctive and declaratory relief requiring the Consumer Products Safety Commission, a federal agency, to rule on petitions to ban from sale in interstate commerce, cigarettes yielding more than 21 milligrams of "tar" and to ban from interstate commerce cigarettes without certain self-extinguishing characteristics. The Commission, having dismissed both petitions, is contesting the lawsuits. Lorillard and the other cigarette manufacturers have intervened in the first of the above-mentioned lawsuits and have filed a motion to intervene in the proceeding relating to self-extinguishing cigarettes.

Distribution Methods: Lorillard distributes its products through direct sales to distributors, who in turn service retail outlets, and through chain store organizations and vending machine operators many of whom purchase their requirements directly. Lorillard tobacco products are stocked in public warehouses throughout the country to provide for rapid distribution to customers.

International Operations: About 16% and 17% of Lorillard's total unit sales of cigarettes in the fiscal year ended August 31, 1974 and the four months ended December 31, 1974, respectively, were manufactured in the United States and exported. Such export sales were made directly by Lorillard and through three wholly-owned subsidiaries: Lorillard International Sales Corporation, a Domestic International Sales Corporation, which services marketing areas throughout the world; P. Lorillard Pan American, Inc., a Western Hemisphere Trade Corporation which services marketing areas in Puerto Rico, Central and South America and Canada; and P. Lorillard International S.A., Zug, Switzerland, which primarily services the marketing areas of Europe, the Middle East and Africa.

License agreements are in effect with eighteen cigarette manufacturers in foreign countries for the manufacture and sale of Lorillard's products on a royalty basis. P. Lorillard s.a.r.l., a Luxembourg corporation jointly owned by P. Lorillard International S.A. and HVL Participations, also manufactures certain of Lorillard's brands for markets in the Benelux countries, the United Kingdom, France, Italy and parts of Africa. Approximately 19% and 14% of Lorillard's net earnings for the fiscal year ended August 31, 1974 and the four months ended December 31, 1974, respectively, were attributable to exports, foreign licenses and other foreign operations. Except for a restriction with respect to repatriation of all royalty income from Argentina and a portion of the revenue from sales of cigarettes in Iran, there are generally no restrictions on repatriation of Lorillard's foreign earnings at present.

In several countries ownership of some of Lorillard's brand names is claimed by others, and in several other countries prior registrations of the name "KENT", or a variation thereof, are claimed by others.

Tobacco and Tobacco Prices: The two main classes of tobacco grown in the United States are flue-cured tobacco, grown mostly in Virginia, North Carolina, South Carolina, Georgia and Florida; and burley, grown mostly in Kentucky and Tennessee. Lorillard purchases flue-cured tobacco, burley tobacco and Maryland tobacco for use in cigarettes. Most of the tobacco of these classes used by Lorillard is purchased by its own buyers and commission buyers at tobacco auctions (see "Legal Proceedings—Other Litigation"). Lorillard also purchases various types of Near Eastern tobacco, most of which is grown in Turkey and Greece.

In addition, Lorillard uses seed leaf tobacco, which is grown mostly in Wisconsin, Ohio, Pennsylvania and Connecticut, in the manufacture of various brands of chewing tobacco and cigars. These tobaccos are largely purchased directly from growers by Lorillard representatives.

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Due to the varying size and quality of annual crops and other economic factors, tobacco prices have in the past been subject to wide fluctuations. Among economic factors are federal government control of acreage and poundage in the flue-cured producing areas and poundage control in the burley areas. These controls, together with support prices, substantially affect the market prices of tobacco. In the ten years ended in 1974 the average market price per pound for flue-cured tobacco increased from 64.60 cents to $1.05 or 63%. From 1965 through 1974 the average market price per pound of burley leaf increased from 67.00 cents to $1.13 or 70%. The prices paid by Lorillard increased with such trend. In addition to purchases at auction warehouses, Lorillard purchased substantial quantities of aged tobacco from various sources, principally cooperatives financed under the Commodity Credit Corporation program, to supplement tobacco inventories during those years. Lorillard believes that its current leaf inventories are adequately balanced for its present production requirements.

Because the process of aging tobacco normally requires approximately two years, Lorillard at all times has on hand large quantities of leaf tobacco. Effective with the fiscal year ended August 31, 1974, Lorillard changed its method of accounting for tobacco inventory from the average cost method to the Last-In, First-Out ("LIFO") method. The change to the LIFO method was made because the Company believes the LIFO method will reduce the effect of inflation on the Company's earnings and will more realistically match current costs against current revenues and, thus, more clearly reflect the results of operations. (See Note 1 of Notes to Financial Statements for the effect on the Company.)

Sales Prices: The list prices per thousand of Lorillard's principal domestic cigarette brands are as follows: 100mm filter, $12.50; non-filter, king size, $12.50; filter king size, non-filter regular size and crush-proof box, $12.00. Such figures reflect a price increase effective May 6, 1974 of $.70 per thousand and an increase of $.70 per thousand effective November 4, 1974. On May 6, 1974, Lorillard also posted price increases for its brands of chewing tobaccos, little cigars and small cigars ranging from 8.6% to 12.6%, and on October 14, 1974 posted a further increase in the prices of its brands of chewing tobaccos ranging from 11.7% to 12%. The prices of cigarettes include Federal excise tax at the rate of $4.00 per thousand and are subject to the usual 2% cash discount if paid within 14 days after invoice date or 3% discount if payment is received no later than the tenth day after invoice date.

State and Local Taxes: Excise taxes on cigarettes, which are levied upon and paid by the distributors, are in effect in the fifty states and the District of Columbia. Such taxes, many of which have been increased during recent years, range from 2 cents to 21 cents per package of twenty cigarettes. In addition, many municipal taxing authorities impose taxes on cigarettes.

Property: The properties of Lorillard are employed principally in the processing and storing of tobacco and in the manufacture and storage of Lorillard's tobacco products. Its principal properties are owned in fee, located as set forth below. With minor exceptions, all machinery used by Lorillard is owned by it. All properties are in good condition, and the cigarette-making machinery and the cigarette-wrapping and packaging machinery are of modern design and of high-speed capacity.

Lorillard has manufacturing plants at Greensboro, North Carolina, and Louisville, Kentucky. The Greensboro plant is devoted exclusively to the manufacture of cigarettes. The Greensboro plant, located on approximately 81 acres, contains approximately 674,000 square feet, including a 40,000 square foot tobacco processing plant completed in 1972. The Louisville plant, which consists of multi-storied buildings totaling about 800,000 sq. ft. of floor space on approximately 24 acres, is utilized for the manufacture of cigarettes, as well as little cigars, and chewing tobacco. Lorillard also has facilities for receiving, processing and storing leaf tobacco at Danville, Virginia containing approximately 2,000,000 square feet as well as facilities for receiving, handling and storing leaf tobacco at Lexington, Kentucky, Lancaster, Pennsylvania and Westby and Stoughton, Wisconsin. A modern research facility consisting of approximately 82,000 sq. ft. was completed on November 1, 1969 at Greensboro. Lorillard leases executive offices at 200 East 42nd Street, New York, New York 10017.

Hotel Activities and Properties

The Company presently operates 9 hotels and motor hotels, including three hotels and two motor hotels in New York City, one hotel in each of Washington, D. C., Quebec City, Canada, and London, England, and a resort hotel in Paradise Island, Nassau, Bahamas.

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The Company has entered into agreements with Neue Heimat of Hamburg, West Germany, and Manera S.A. of Paris, France, looking toward development of hotel facilities on the European Continent and elsewhere. Pursuant thereto the Company leased from affiliates of Neue Heimat a 570 room, 32 story hotel in Hamburg, West Germany, which opened in March 1973 and a hotel presently under construction in Frankfurt, West Germany. In February 1975 the Company entered into agreements with Canadian Pacific Hotels Limited and the lessors for surrender of the leases and for transfer of operations of the Hamburg hotel and activities in connection with the Frankfurt project to a Canadian Pacific subsidiary. The Company has also entered into a lease with Neue Heimat International and Manera S.A. for operation of a hotel presently under construction in Monte Carlo, Principality of Monaco. The Company is actively engaged in seeking other sites in Europe and elsewhere and will enter into management and other arrangements for other hotels as suitable locations are selected.

The Company provides management and other services to a new 433 room deluxe hotel in Quebec City, Canada, under a management agreement with a subsidiary of Concordia Estates Group Limited ("Concordia") of Montreal, Canada. The Company has also entered into other agreements with Concordia relating to hotel development in Canada generally. A management agreement with a subsidiary of Concordia provides for management and other services for a proposed hotel in Montreal. The Company will also supply management and other services to a second hotel in Montreal, presently under construction, pursuant to a management agreement with an unrelated joint venture.

The Company has entered into an agreement for the operation of a hotel, containing approximately 313 rooms, presently under construction in Santo Domingo, Dominican Republic. In addition, the Company has entered into agreements with regard to the operation of projected hotels in Greece, Spain, England and Portugal.

The Company, under an agreement with a hotel subsidiary of Air France, is rendering assistance to that subsidiary in the operation of a 1,000 room hotel in Paris, France, which opened in April 1972. The Company has a 20% interest in the operating company and receives a percentage of gross operating profit, plus a percentage of total proceeds from operation of the hotel. The Company, under a similar separate agreement with another subsidiary of Air France, renders operating assistance to such subsidiary in connection with two resort hotels on the islands of Guadeloupe and Martinique in the Caribbean.

The hotels owned by the Company (including those owned by the Company and leased to others) are subject to mortgage indebtedness aggregating approximately $24,739,000 at interest rates ranging from 6½% to 6¾% and maturing from 1979 to 1988.

The following are the hotel properties operated by the Company and wholly-owned subsidiaries at February 28, 1975. Since the number of rooms in a hotel varies from time to time, all numbers of rooms in the following table are as of February 28, 1975:

	Name of Hotel	Location	Type	Number of Rooms	Date Opened	Owned, Leased or Managed
1.	Regency	New York, New York	Luxury Hotel	496	1963	Leased land
2.	Summit	New York, New York	First Class Hotel	781	1961	Leased land
3.	Drake	New York, New York	Luxury Hotel	642	1926*	Owned
4.	Paradise Island Hotel and Villas	Paradise Island, Nassau, the Bahamas	Resort Hotel	500	1967	Leased
5.	Howard Johnson's Motor Lodge**	New York, New York	Motor Hotel	300	1962	Leased land
6.	Ramada Inn**	New York, New York	Motor Hotel	368	1962	Owned
7.	The Churchill	London, England	Luxury Hotel	489	1970	Leased
8.	L'Enfant Plaza	Washington, D. C.	Luxury Hotel	372	1973	Management Contract
9.	Le Concorde	Quebec City, Canada	Luxury Hotel	443	1974	Management Contract

* The Drake Hotel has been owned by the Company since 1964. Rooms shown for the Drake Hotel include 185 rooms in a new wing opened in 1962.

** Operated by the Company under license agreements pursuant to which the Company pays royalty fees on sales, as defined in the agreements, for use of the respective trade names, trademarks and other rights.

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In February 1972 the Company sold the leasehold for the Mark Hopkins Hotel in San Francisco, California and sold the Hotels Ambassador East and West in Chicago, Illinois. The Company has leased to a subsidiary of American Airlines, Inc., the Hotels Americana of New York, Bal Harbour, Florida, and San Juan, Puerto Rico, and the City Squire Motor Inn in New York City for terms commencing August 1, 1972 and expiring between 1995 and 2002. The leases, which are guaranteed by American Airlines, Inc., provide for payment of fixed aggregate annual rentals for each of the first five years, and, commencing in August of 1977, a percentage rental is payable in each calendar year with provision for a maximum aggregate of fixed annual and percentage rents in the following years of the four lease terms.

Theatre Activities and Properties

The Company's theatres exhibit feature motion pictures and, occasionally, accompanying short subjects, which are licensed for exhibition by film distribution outlets in the United States.

The Company operated, as of February 1, 1975, 87 motion picture theatres located in 30 cities or towns, in 15 states. Of the 87 theatres, 39 are owned and 48 are leased. All are conventional theatres. The theatres operated vary in size and include suburban theatres and large, deluxe "showcase" theatres.

The majority of the theatres present the first showing of feature films in given localities. The Company's theatres principally exhibit motion pictures intended to appeal to a general audience, catering to all age groups. Film selections vary depending on the availability of product, there being no policy to emphasize special types of film. In general, the selection of films is based on community preference, availability and terms. Films are licensed on a picture by picture basis and film rentals are usually based on a percentage of box office receipts.

The Company sells confections and other refreshments in all of its theatres under an agreement with an independent concessionaire. Principal items include popcorn, confections, ice cream products and beverages. The Company receives income from the concessionaire based on a percentage of the revenues derived from sales.

In many instances, the properties owned or leased include, in the theatre building or nearby, commercial space or property, such as offices and stores. The theatres owned by the Company, some of which are also commercial properties, are subject to mortgage liens securing indebtedness aggregating approximately $10,244,000 at December 31, 1974, at interest rates ranging from 4% to 8%, and maturing from 1975 to 1994.

In July 1972 the Company sold the fees or leaseholds of 48 motion picture theatres previously operated by it in the states of California, Florida, Arizona and New Mexico to General Cinema Corporation.

During the fiscal year ended August 31, 1974 the Company acquired three theatres and converted three theatres into twin theatres and during the four months ended December 31, 1974, the Company acquired a theatre at Riverdale, Bronx, New York, and converted two theatres, each previously operated as a single theatre, into a twin theatre and a triple theatre.

Other Interests

The Company owns two high-rise combination commercial and apartment buildings in New York City; the land under a new office building containing in excess of 1,000,000 square feet of office and commercial space in New York City; and four commercial and office buildings located respectively in New York City; Syracuse, New York; Kansas City, Missouri; and Los Angeles, California. The foregoing properties are subject to mortgages as of December 31, 1974, aggregating approximately $20,292,000 at interest rates of 4% to 7½%, maturing between 1977 and 2010.

Competition and Regulation

All of Lorillard's products are sold in highly competitive markets. The following table, which sets forth total factory removals (tax and tax-exempt) of all cigarettes manufactured in the United States

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and total factory removals (tax and tax-exempt) of cigarettes manufactured by Lorillard, indicates the relative position in the industry of Lorillard:

Calendar Year	Industry* (000)	Lorillard (000)	Lorillard to Industry
1969	557,794,000	51,666,000	9.3%
1970	583,935,000	50,430,000	8.6%
1971	578,062,000	54,309,000	9.4%
1972	598,187,000	55,494,000	9.3%
1973	646,243,000	57,638,000	8.9%
1974	635,445,000	58,764,000	9.3%

* Source: Reports and bulletins of the Internal Revenue Service.

On the basis of information currently available, Lorillard ranks fifth among the major producers of tobacco products in the country.

The business of providing hotel accommodations and services is highly competitive. There is substantial competition from other hotels, some of which are owned by local competitors and some of which are owned by international or nationwide chains. Because of the competitive nature of the industry and the large number of new hotels and motels built in recent years, the Company must make continuing expenditures for updating, refurnishing, repairs and maintenance in order to prevent competitive obsolescence.

The business of motion picture exhibition is also highly competitive. The Company is one of several major theatre chains in the United States. The Company operates theatres in certain areas of the United States which are heavily saturated with theatres of various national and local exhibitors. Consequently, the Company faces intense competition from locally significant competitors. As a result of trade practice limitations imposed upon the eight major motion picture distributors by the various decrees entered in the cases of *United States* v. *Paramount, et al.* and *United States* v. *Loew's Incorporated et al.* (see "Legal Proceedings—Theatre Decree"), the pictures of such distributors must be offered and licensed to exhibitors, including the Company, picture by picture and theatre by theatre. In addition to competition from other motion picture theatre operators, the Company's film exhibition business is confronted with other forms of competition in the entertainment field, among which are television, and other forms of home entertainment, including films provided for viewing by hotel guests through hotel room television sets. Extensive advertising and other forms of publicity are used to bring public attention to the Company's theatres.

Employee Relations

The Company employed approximately 11,359 persons at December 31, 1974. A substantial number of such personnel are represented by labor unions under separate contracts with many local unions which expire at varying times and are then severally renegotiated and renewed. The Company considers its employee relations satisfactory.

The Company maintains a Retirement Plan, group life, disability and health insurance program and a Savings Plan for its salaried employees.

In 1974, collective bargaining agreements expiring in 1977, covering hourly-rated production and service employees at various Lorillard plants, were concluded with the Tobacco Workers International Union, the International Brotherhood of Firemen and Oilers, and the International Association of Machinists. The agreements provide, in addition to improvements in wages and benefits, funding of the non-contributory retirement plan commencing as of January 1974. The Company also has a deferred Profit Sharing Plan for the hourly paid employees of the Lorillard Division who are represented by the foregoing unions.

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Energy Crisis

The ultimate effect of the current energy crisis on the economy as a whole and, hence, on the Company's business, is uncertain at this time. To date, the impact on the Company has not been materially adverse, although direct costs have been materially increased, as well as costs of transportation and products manufactured from petroleum derivatives used by the Company's divisions. Compliance with the Petroleum Energy Office, Allocation Regulations resulted in the granting of the requested supply of petroleum products for the three manufacturing facilities of the Lorillard Division. There has been no material impact on the Company's hotel and theatre operations. The Company and its subsidiaries and divisions have an on-going program to conserve energy. Included in this program are measures to reduce lighting, heating, air conditioning and usage of machinery to minimum needs consistent with safety and security.

ITEM 2. SUMMARY OF OPERATIONS.

See the Statement of Consolidated Earnings and related notes included elsewhere herein.

ITEM 3. PROPERTIES.

Information relating to the properties of Registrant and its subsidiaries is contained under Item 1.

ITEM 4. PARENT AND SUBSIDIARIES.

Name	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
Loews Corporation	Parent	Delaware
Loew's Theatres, Inc. (a)	Registrant(100%)	New York
A.E.W., Inc. (a)	100	Delaware
Astoria Theatre Corporation (a)	100	New York
Bal Harbour Hotel Corporation (a)	100	Florida
Canal Realty & Improvement Co., Inc. (a)	100	Louisiana
Castle Realty, Inc. (a)	100	Delaware
Central Broadway Corporation (a)	100	New York
Cleveland Theatres, Inc. (a)	100	Ohio
Columbia-Palace Corporation (a)	100	Delaware
Diamond Amusement Corporation (a)	100	New York
District Amusement Corporation (a)	100	New York
Evaluation Consumer Bureau, Inc. (a)	100	New York
Evans Theatre Corporation (a)	100	Delaware
51st St. & 8th Ave. Corp. (a)	100	New York
56th & Park Ave. Corp. (a)	100	New York
Firm Amusement Corporation (a)	100	New York
French Marketing & Representation Corp. (a)	100	Delaware
1st Ave.-17th St. Corp. (a)	100	New York
48th St. & 8th Ave. Corp. (a)	100	New York
Gates Theatre Corporation (a)	53.89	New York
Glenwood Mortgage Co. (b)	50	California
Gerard Theatre Corporation (a)	100	New York
Hinsdale Amusement Corporation (a)	100	New York
Lance Theatre Corporation (a)	100	New York
Loew's Bahamas Hotel Limited (a)	100	Bahamas
Loew's Boulevard Corporation (a)	100	New York
Loew's California Theatres, Inc. (a)	100	New York

87757008

Name	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
Loews Clearing Corporation (a)	100	New York
Loew's Dayton Theatre Company (a)	100	Ohio
Loew's (Great Britain) Limited (a)	100	United Kingdom
Loews Hotels (Canada) Ltd. (a)	100	Ontario
Loews Hotels Monaco S.A.M. (a)	100	Monaco
Loew's Hotels, Inc. (a)	100	New York
Hoteles Loews S.A. (a)	100	Spain
Loews Advisory, Inc. (a)	100	Delaware
Loews Hotels (Frankfurt), Inc. (a)	100	Delaware
Loew's Hotels (Hamburg), G.m.b.H. (a)	100	W. Germany
Loews Hotels Quebec, Inc. (a)	100	Delaware
Loews Hotels Quebec, Ltd. (a)	100	Canada
Loew's Hotels of Tarrytown, Inc. (a)	100	New York
Loews Marbella Club, Inc. (a)	100	Delaware
Loews Marbella Golf, Inc. (a)	100	Delaware
Loews Technical Services, Inc. (a)	100	Delaware
Loews Washington Hotel Corp. (a)	100	District of Columbia
Loew's Houston Company (a)	100	Texas
Loew's Indiana Theatres Corporation (a)	100	Indiana
Loew's Lauderhill, Inc. (a)	100	Florida
Loew's/Lorillard International Services S.A. (a)	100	Belgium
Loew's New Jersey Hotel Corp. (a)	100	New Jersey
Loew's North Glenn, Inc. (a)	100	Colorado
Loews Realty, Inc. (a)	100	Delaware
Coney Island Theatres, Inc. (a)	100	New York
Eton Amusement Corporation (a)	100	New York
57th Holding Corporation (a)	100	New York
53rd & 7th Corp. (a)	100	New York
Lauderdale Theatre Corp. (a)	100	Florida
Market and Taylor Building Company (a)	100	California
Midland Investment Corporation (a)	100	Missouri
Moredall Realty Corporation (a)	100	New York
Pen Val Realty Corp. (a)	100	Florida
Sejo General Corp. (a)	100	New York
Seventh and Broadway Building Company (a)	100	California
Tower 58 Corporation (a)	100	New York
Loews Reservations, Inc. (a)	100	New York
Loew's Reservations, Ltd. (a)	100	Quebec
Loew's Securities Corp. (a)	100	New York
Loew's St. Petersburg, Inc. (a)	100	Florida
Loew's Summit, Inc. (a)	100	New York
Loew's Theatre & Realty Corporation (a)	100	Delaware
Americana, Inc. (b)	50	Florida
Broadway Ventures, Inc. (b)	50	Florida
Hawthorne Amusement Corp. (a)	66.67	New York
Loews Kendall Mall, Inc. (b)	50	Florida
Loews Skylake Mall, Inc. (b)	50	Florida
Miami Beach Theatre Corp. (a)	100	Florida
Moonstar Amusement Corporation (a)	100	Indiana

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Name	Percentage of Voting Securities Owned by Its Immediate Parent	Organized Under Laws of
Loew's Westchester, Inc. (a)	100	Florida
Lorillard Asia, Ltd. (a)	100	Hong Kong
Lorillard France, S.A. (a)	100	France
Lorillard International Sales Corp. (a)	100	Delaware
Lorillard Italy, S.p.A. (a)	100	Italy
Lorillard Tobacco De Colombia S.A. (a)	100	Colombia
Marcus Loew Booking Agency (a)	100	New York
Marcus Loew Indianapolis Realty Corporation (a)	100	Indiana
New Broad Company (a)	100	New Jersey
New Buffalo Amusement Corp. (a)	100	Delaware
Orpheum-86th St. Corp. (a)	100	New York
Parkchester Amusement Corporation (a)	100	New York
Parsippany Theatre Corp. (a)	100	New Jersey
P. Lorillard International S.A. (a)	100	Switzerland
P. Lorillard s.a.r.l. (b)	50	Luxembourg
P. Lorillard Pan American, Inc. (a)	100	Delaware
Poli-New England Theatres, Inc. (a)	100	Delaware
Providence Amusement Corp. (a)	100	Rhode Island
Putnam Theatrical Corporation (a)	100	New York
A.L. & S.Y., Inc. (a)	100	New York
Riviera Theatre Corporation (a)	100	Florida
St. Louis Orpheum Corporation (a)	100	Delaware
71ST & 3RD Avenue Corp. (a)	100	New York
61st & Park Ave. Corp. (a)	100	New York
Squireco Building Corporation (a)	100	New York
Standard Evansville Realty Corporation (a)	100	Indiana
Talent Booking Agency, Inc. (a)	100	New York
Victoria-Seventh Avenue Corporation (a)	100	New York
Washington Theatre Corp. (a)	100	Delaware
Westchester Forum, Inc. (a)(c)	100	New York

(a) Subsidiary included in consolidated financial statements filed herewith. More than 50% of the capital stock of such subsidiary is owned, directly or indirectly, by Registrant.

(b) Companies not included in the consolidated financial statements and for which no statements are filed. 50% or less of the capital stock of these companies is owned directly or indirectly by Registrant, and all such companies considered in the aggregate do not constitute a significant subsidiary.

(c) 80% general partner in Westchester Forum Associates, a limited partnership. Charles B. Benenson, a director of Registrant, is a 20% limited partner.

ITEM 5. LEGAL PROCEEDINGS.

Tobacco Decree. By decree dated November 16, 1911, of the Circuit Court of the United States for the Southern District of New York, in a suit brought under the Sherman Act entitled *United States of America v. The American Tobacco Company and others,* each of fourteen corporations, including Lorillard, is prohibited from among other things, (1) making transfers of its property to any other of those corporations, (2) making any agreements of types deemed anti-competitive with any other of those corporations, (3) holding stock in a corporation whose stock is also held by another of those corporations and (4) with stated exceptions, requiring a jobber to buy another brand or brands from such corporation in order to be able to buy a particular brand.

Theatre Decree. Under the Consent Judgement entered in the United States District Court for the Southern District of New York on February 6, 1952, in *United States v. Loew's Incorporated, et al.*, the Company was prohibited from, among other things, acquiring additional theatres except upon a showing to the court that the acquisition would not unduly restrain competition, unless such acquisitions are replacements as defined in the Consent Judgement. On July 25, 1974, the District Court entered an order amending the Consent Judgement to provide that no court approval is required with respect to any theatre constructed by or for the Company, or with respect to the conversion of an existing theatre into a twin or multiple screen theatre.

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Other Litigation. In November 1971 an alleged class action was commenced against the Company, the former Lorillard Corporation and the executive officers and directors of each immediately prior to November 29, 1968 (the date Lorillard became a subsidiary of the Company), in the United States District Court for the Eastern District of North Carolina, Wilson Division, by certain former shareholders of Lorillard Corporation. The plaintiffs allege, among other things, that the proxy statement of Lorillard Corporation relating to the merger with a subsidiary of the Company omitted to state certain material facts relative to the tax consequences to former Lorillard Corporation shareholders of the merger, in alleged violation of the Securities Exchange Act of 1934, and the Rules and Regulations thereunder. The complaint also charges the executive officers and directors of Lorillard Corporation with failure to exercise due care and diligence in consummating the merger transaction with Loew's. Plaintiffs allege that the damage sustained by the plaintiffs is in excess of $197,000 and the damage sustained by all Lorillard Corporation stockholders is in excess of $100,000,000. The defendants have denied all material allegations of the complaint. In the opinion of the General Counsel to the Company, the Company has meritorious defenses to the action.

Two civil antitrust actions were commenced in July 1974, against the Company. One action, filed in the United States District Court for the Eastern District of Kentucky, by six growers of burley tobacco on behalf of themselves and on behalf of over 400,000 growers of tobacco, names as defendants, in addition to the Company, five other domestic manufacturers of tobacco products and a leaf tobacco dealer. The amended Complaint alleges, among other things, that all or some of the defendants have engaged in an unlawful combination and conspiracy in restraint of trade and in violation of the Sherman Act, in fixing and attempting to fix prices for burley tobacco. Plaintiffs seek treble damages in the amount of $2,188,757,550, plus attorneys' fees and costs. The Company has filed an answer denying those portions of the Complaint asserting illegal conduct by it, and raising various affirmative defenses. The other action filed in the United States District Court for the District of South Carolina, was filed by six growers of flue-cured tobacco on behalf of themselves and on behalf of approximately 11,000 growers living in South Carolina who raise flue-cured tobacco. The Complaint, as amended, also names as defendants fifteen other tobacco companies and the Secretary of Agriculture and alleges, among other things, that the defendant corporations conspired to fix the price of flue-cured tobacco in violation of the Sherman Act. A second cause of action alleges that the corporate defendants, with the knowledge, consent and acquiescence of the Secretary of Agriculture, undertook by various means to monopolize the marketing, sale and purchase of flue-cured tobacco in South Carolina. A third cause of action alleges that defendants conspired to fix, control and restrict arbitrarily and unlawfully the amount of flue-cured tobacco which could be sold per day and week in the auction houses available to plaintiff, all in violation of the Sherman Act. Plaintiffs seek, in addition to injunctive relief, treble damages with respect to two causes of action in the amount of $332,811,390 and $3,000,000 with respect to the third cause of action. The Company has filed an answer in this action denying those portions of the amended Complaint asserting illegal conduct against it, and raising various affirmative defenses. In both actions the Courts have been asked to allow the suit to proceed as a class action. Discovery is proceeding on this issue, but no decision has been rendered by the Court to date. As noted above, these actions are of recent origin and it is not feasible for the Company and its counsel in the action to give an opinion as to the probable outcome of such actions at the present time.

Laurence A. Tisch, Preston R. Tisch, Bernard Myerson and Lester Pollack, the directors of Registrant, are directors and officers of Loews, and they and other officers of Loews who are officers of Registrant are named as defendants in various class and derivative actions brought by asserted stockholders of Loews, which allege, among other things, breach of fiduciary and common law duties and violations of the anti-fraud provision of the securities laws.

In addition to the above described litigation, the Company and its subsidiaries are defendants in other legal actions arising out of their normal business activities, none of which is considered by Management to be significant. In the opinion of Management, the disposition of such additional litigation will not have a materially adverse effect on the Company's financial operations.

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ITEM 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES.

(a)

There were no changes during the four months ended December 31, 1974 for equity of the Company—Common Stock ($1.00 par value).

	Shares of Common Stock Par Value $1 per share	Warrants
Outstanding, August 31, 1974 and December 31, 1974	100	6,275,000

(b)
None

ITEM 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS.

Title of Class	Number of Record Holders
Common Stock, par value $1 per share	One (1) as of March 1, 1975
12-Year Warrants expiring November 29, 1980 (for purchase of Loews Common Stock)	Approximately 20,400 as of March 20, 1975

ITEM 8. EXECUTIVE OFFICERS OF THE REGISTRANT.

Name	Position and Offices Held	Age	First Became Officer
Kenneth Abrams	Vice President	41	1975
Gerald Diamond	Vice President	59	1972
Robert J. Hausman	Vice President	51	1973
Barry Hirsch(1)	Vice President, Secretary and General Counsel	41	1971
Harry Katz	Controller	48	1974
Bernard Myerson	Director and Executive Vice President	57	1963
Lester Pollack	Director and Executive Vice President	41	1965
Roy E. Posner	Vice President—Financial Services	41	1973
Arthur J. Raporte	Vice President	57	1960
Jacob Stillman	Treasurer	58	1958
Laurence A. Tisch	Chairman of the Board and Chief Executive Officer	52	1959
Preston R. Tisch	President and Chairman of the Executive Committee	48	1960

The Messrs. Tisch are brothers. None of the other officers or directors of the Registrant is related to any other.

(1) Mr. Hirsch was elected Secretary of the Registrant and its parent, Loews Corporation, on November 5, 1971. He has served as General Counsel of the Registrant and of Loews since October 15, 1971. From June 1969 to October 1971, he was Vice President, Secretary and a director of B.T.B. Corporation, New York, New York and prior thereto he was a partner in the New York City law firm of Seligson & Morris.

With the exception of Mr. Hirsch, all executive officers of the Registrant and Loews have been engaged actively and continuously in the business of Registrant and Loews, and their predecessors and subsidiaries for more than the past five years.

Officers are elected and hold office until their successors are elected and qualified, and are subject to removal by the Board of Directors.

ITEM 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Unchanged from previous 10-K report filed for the year ended August 31, 1974.

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ITEM 10. FINANCIAL STATEMENTS AND EXHIBITS FILED.

(a) Financial Statements:

The following consolidated financial statements and schedules are filed as part of this report:

	Page Number
Loew's Theatres, Inc. and Subsidiaries:	
Financial Statements:	
Opinion of Independent Certified Public Accountants	19
Consolidated Balance Sheet at December 31, 1974, August 31, 1974 and August 31, 1973	20
Statement of Consolidated Earnings for the five years ended August 31, 1974 and the four months ended December 31, 1974	22
Statement of Changes in Consolidated Financial Position for the three years ended August 31, 1974 and the four months ended December 31, 1974	24
Statement of Consolidated Earnings Retained in the Business for the five years ended August 31, 1974 and the four months ended December 31, 1974	25
Statement of Consolidated Additional Paid-in Capital for the five years ended August 31, 1974 and the four months ended December 31, 1974	25
Notes to Consolidated Financial Statements	26
Schedules:	
Schedule V—Property, plant and equipment for the four months ended December 31, 1974 and the year ended August 31, 1974	36 & 43
Schedule VI—Accumulated depreciation and amortization of property, plant and equipment for the four months ended December 31, 1974 and the year ended August 31, 1974	37 & 44
Schedule VII—Intangible assets for the four months ended December 31, 1974 and the year ended August 31, 1974	38 & 45
Schedule IX—Bonds, mortgages and similar debt at December 31, 1974	39
Schedule XII—Valuation and qualifying accounts and reserves for the four months ended December 31, 1974 and the year ended August 31, 1974	40 & 46
Schedule XIII—Capital shares at December 31, 1974	41
Schedule XIV—Warrants at December 31, 1974	42

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are omitted because of the absence of the conditions under which they are required, or because the information required therein is set forth in the consolidated financial statements or the notes thereto.

Individual financial statements of the Registrant have been omitted as the Registrant is primarily an operating company and all material subsidiaries of the Registrant included in the consolidated financial statements are wholly-owned and are not indebted to any person outside the consolidated group in an amount which is material in relation to the total consolidated assets.

(b) Exhibits:

None.

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PART II

ITEM 11. PRINCIPAL SECURITY HOLDERS AND SECURITY HOLDINGS OF MANAGEMENT.

(a) and (b) All of the outstanding shares of Common Stock of Registrant are owned by Loews. The following table shows as of February 10, 1975, the persons owning of record or known by the Registrant to own beneficially more than 10% of the Common Stock of Loews and the beneficial ownership of such shares of Loews by all directors and officers of Loews as a group.

Name and Address	Title of Class	Type of Ownership	Amount Owned	Approx. % of Class
Laurence A. Tisch Island Drive North Manursing Island Rye, N. Y.	Common Stock	Beneficial*	2,643,771	20.4%
Preston R. Tisch 5 Timber Trail Harrison, N. Y.	Common Stock	Beneficial*	2,643,771	20.4%
Directors and officers of the Company as a group (including the above)	Common Stock	Beneficial	5,438,345	42.1%

*Laurence A. Tisch and Preston R. Tisch, as tenants-in-common, also own an aggregate of $8,238,000 principal amount of the Company's 6¾% Subordinated Debentures due 1993. Laurence A. Tisch is the trustee of trusts for the benefit of the children of Preston R. Tisch, which own 110,004 shares of Common Stock. Preston R. Tisch is the trustee of a trust for the benefit of the children of Laurence A. Tisch, which owns 110,004 shares of Common Stock. Each of the Messrs. Tisch disclaims any beneficial interest in shares held by any of such trusts. The Messrs. Tisch may be deemed to be parents of Loews within the meaning of the Securities Act of 1933.

(c) None.

ITEM 12. DIRECTORS OF THE REGISTRANT.

Name	Expiration of Term	Positions and Offices Held	Age
Laurence A. Tisch	May 11, 1976	Chairman of Board, and Chief Executive	52
Preston R. Tisch	May 11, 1976	President, Chairman of Executive Committee	48
Lester Pollack	May 11, 1976	Executive Vice President	41
Bernard Myerson	May 11, 1976	Executive Vice President	57

The Messrs. Tisch are brothers. None of the other above-listed directors of Registrant is related to any other of the above-listed directors of Registrant.

Directors are elected for a term of one year and hold office until their successors are elected and qualified. The directors elected at the Annual Meeting of the Company on January 9, 1975, will hold office uuntil the next Annual Meeting of the Company which, due to the change in fiscal year of the Company, is now scheduled to be held May 11, 1976.

All directors of the Company have been engaged actively and continuously in the business of the Company and its predecessors and subsidiaries for more than the past five years.

ITEM 13. REMUNERATION OF DIRECTORS AND OFFICERS.

All of the directors and officers of the Registrant are directors and officers of Loews and its subsidiaries. Information with respect to each director and each of the three highest paid officers of Loews whose

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aggregate remuneration from Loews and its subsidiaries, including Registrant, exceeded $40,000, and all directors and officers of Loews as a group, is set forth below, on an accrual basis, as to (i) the aggregate direct remuneration paid by Loews during the fiscal year ended August 31, 1974 and the four months ended December 31, 1974 for services in all capacities, (ii) Loews' contribution under the Supplemental Employees' Savings Plan during the periods then ended, and (iii) the total annual benefits proposed to be paid pursuant to Loews' Retirement Plan in the event of retirement at normal retirement date.

Name of Individual or Identity of Group	Direct Aggregate Remuneration For Fiscal Year Ended August 31, 1974	Direct Aggregate Remuneration For Four Months Ended December 31, 1974	Loews' Contribution Under Supplemental Employees' Savings Plan For Fiscal Year Ended August 31, 1974(1)	Loews' Contribution Under Supplemental Employees' Savings Plan For Four Months Ended December 31, 1974(1)	Annual Benefit Estimated to be Payable Under Retirement Plan From Normal Retirement Date(2)
LAURENCE A. TISCH, Chairman of the Board and Chief Executive Officer	$ 208,000(3)	$ 69,523	$ 1,200		$ 91,089
PRESTON R. TISCH, President and Chairman of the Executive Committee	$ 208,000(4)	$ 69,523	$ 1,200		$100,299
BERNARD MYERSON, Executive Vice President; President, Loews Theatres	$ 136,260(5)	$ 47,644	$ 1,200		$ 45,807
CURTIS H. JUDGE, President, Lorillard	$ 164,918(6)	$ 55,151	$ 1,200		$ 50,387
LESTER POLLACK, Executive Vice President	$ 106,110(7)	$ 41,740	$ 1,200		$ 63,381
All directors and officers as a group, including the foregoing (16 persons)	$1,174,085	$411,167	$13,650	$1,525	$513,251

(1) The Supplemental Employees' Savings Plan, as amended, is described below under the caption "Supplemental Employees' Savings Plan."

(2) Loews' Employees' Retirement Plan provides for fixed benefits computed on an actuarial basis in the event of retirement at a specified age or after a specified number of years of service. Directors who are also employees of Loews are eligible to participate in the Plan. The Employee Retirement Income Security Act of 1974 places certain limitations after 1975 on pensions which may be paid under Federal Income Tax qualified plans. Amounts set forth above which exceed such limitations may be paid outside the qualified plan as an operating expense.

(3) An employment agreement with Laurence A. Tisch, as amended, expiring February 28, 1977, provides for remuneration at the rate of $208,000 per annum. Pursuant to provisions for deferred compensation under employment agreements in effect prior to March 1, 1971, Mr. Tisch will be paid, commencing with the termination of his active employment by Loews the sum of $500 per week for a period equivalent to the number of weeks elapsed between May 2, 1960 and February 28, 1971, provided that after such termination he renders advisory services to Loews and does not engage in any business which is in direct or substantial competition with the business of Loews, other than service to certain specified corporations in which he had a stock interest on May 2, 1960. No deferred compensation is provided under the present agreement.

(4) An employment agreement with Preston R. Tisch, as amended, expiring February 28, 1977, provides for remuneration at the rate of $208,000 per annum. Pursuant to provisions for deferred compensation under employment agreements in effect prior to March 1, 1971, Mr. Tisch will be paid, commencing with termination of his active employment by Loews the sum of $500 per week for a period of six years. No deferred compensation is provided under the present agreement.

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(5) An employment agreement with Mr. Myerson, as amended, provides for remuneration presently at the rate of $150,000 per annum to November 30, 1976. Deferred compensation accrued under employment agreements in effect prior to March 1, 1971, totalling $75,000, was paid to Mr. Myerson in October 1973. No deferred compensation is provided under the present agreement.

(6) An employment agreement with Mr. Judge, as amended, expiring August 31, 1976, provides for remuneration presently at the rate of $180,000 per annum to the expiration date. Deferred compensation accrued under employment agreements in effect prior to November 15, 1971, totalling $42,788, was paid to Mr. Judge in August 1974. No deferred compensation is provided under the present agreement.

(7) An employment agreement with Mr. Pollack, as amended, expiring December 31, 1975, provides for remuneration presently at the rate of $125,000 per annum.

Supplemental Employees' Savings Plan

Loews' Supplemental Employees' Savings Plan became effective March 1, 1969. Under the Savings Plan, as amended, employees may contribute 2%, 4% or 6% of their base pay, with a maximum contribution of $2,400 per annum, and Loews contributes an additional amount equal to one-half the employee's contributions. Loews' contribution vests at the rate of 20% for each year of participation after the year for which the contribution was made. The funds deposited under the Savings Plan are held by Laurence A. Tisch, Lester Pollack and Jacob Stillman, as Trustees, who are respectively Chairman of the Board, Executive Vice President, and Treasurer of Loews.

In the fiscal year ended August 31, 1974, Loews contributed to the Plan $475,482 of which $461,832 was for the benefit of employees other than directors and officers and $13,650 was for the benefit of officers and directors.

In the four months ended December 31, 1974, Loews contributed to the Plan $137,330 of which $135,805 was for the benefit of employees, other than directors and officers, and $1,525 was for the benefit of directors and officers.

ITEM 14. OPTIONS GRANTED TO MANAGEMENT TO PURCHASE SECURITIES.

There are no options outstanding to purchase securities of Registrant. There is submitted below information as to options to purchase securities of Loews for those directors and officers listed in the remuneration table set forth above who may participate in Loews' Key Employees' Qualified Stock Option Plan and as to all directors and officers as a group.

Common Stock	Bernard Myerson	Curtis H. Judge	Lester Pollack	All Directors and Officers as a Group
Granted September 1, 1973 to date:				
Number of Shares	6,000	8,000	6,000	34,250
Average option price per share ..	$20.81	$20.81	$20.81	$20.81
Unexercised at March 3, 1975:				
Number of Shares	8,500	18,000	10,000	54,700
Average option price per share ..	$29.41	$33.59	$30.64	$29.77

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

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Certain Transactions

Pursuant to an agreement entered into in October 1966, Westchester Forum, Inc., a wholly-owned subsidiary of the Company, is the general partner, with an 80% interest, and Charles Benenson, a director of the Company, is a limited partner, with a 20% interest, in a partnership which was designated in

November 1966 as the sponsor of the commercial redevelopment area of an Urban Renewal Project in the City of White Plains, New York. Such sponsorship was assertedly cancelled during March 1972 and the partnership commenced an action in the Supreme Court of the State of New York, County of Westchester, on August 16, 1972, based on breach of contract, against the White Plains Urban Renewal Agency, the City of White Plains and other defendants alleging damages relating to the performance of its contractual obligations as sponsor and for loss of profits. The action is still in a preliminary stage.

(b) None.

(c) None.

SIGNATURES

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.

LOEW'S THEATRES, INC.

By ROY E. POSNER

(Roy E. Posner, Vice President—Financial Services)

Date: March 28, 1975

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OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Loew's Theatres, Inc.:

We have examined the consolidated financial statements and schedules of Loew's Theatres, Inc. and Subsidiaries listed under Item 10(a) herein, which you are filing as part of your Annual Report (Form 10-K) to the Securities and Exchange Commission for the four months ended December 31, 1974. 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.

As described in the first paragraph of Note 13 to the financial statements, the Company is a co-defendant in two purported class actions alleging violations of the antitrust laws. Since these actions are of recent origin it is not feasible for counsel for the Company to express an opinion as to the liability, if any, which the Company may incur in the final disposition of these matters.

In our opinion, subject to the effect, if any, of the resolution of the litigation described in the preceding paragraph, such consolidated financial statements present fairly the financial position of the companies at December 31, 1974, August 31, 1974 and August 31, 1973 and the results of their operations and changes in their financial position for the stated periods then ended, in conformity with generally accepted accounting principles consistently applied during the periods, except for the change during the year ended August 31, 1974, with which we concur, in the method of accounting for the tobacco inventory as described in Note 1; and the schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

HASKINS & SELLS

New York, N. Y.
March 27, 1975

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LOEW'S THEATRES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31, 1974	August 31, 1974	August 31, 1973
CURRENT ASSETS:			
Cash on hand and demand deposits	$ 21,121,000	$ 10,759,000	$ 2,629,000
Time deposits	11,176,000	10,640,000	8,505,000
Receivables:			
Trade, less allowance for doubtful accounts and cash discounts ($2,233,000, $1,993,000 and $2,134,000)	40,602,000	40,665,000	33,194,000
Other	12,494,000	23,553,000	13,171,000
Inventories (Note 1):			
Leaf tobacco	257,970,000	223,084,000	225,732,000
Manufactured stock	27,380,000	27,707,000	21,985,000
Materials, supplies, etc.	13,047,000	9,721,000	6,491,000
Total current assets	383,790,000	346,129,000	311,707,000
INVESTMENTS IN SECURITIES (Notes 1, 2 and 4)	8,158,000	349,158,000	418,740,000
Total current assets and investments in securities	391,948,000	695,287,000	730,447,000
INVESTMENTS AND ADVANCES:			
Investments in associated companies (Notes 1 and 3)		51,407,000	17,968,000
Investments in and advances to unconsolidated companies (Note 1)	4,022,000	3,851,000	3,347,000
Advances to affiliated companies (Note 1)	273,271,000	35,848,000	28,583,000
Other investments, at cost:			
Mortgages and notes receivable (maturing through 1992 at interest rates ranging from 5% to 11% at December 31, 1974)	7,462,000	15,161,000	18,484,000
Other	555,000	916,000	955,000
Total investments and advances	285,310,000	107,183,000	69,337,000
PROPERTY, PLANT AND EQUIPMENT, at cost (Note 1):			
Land	34,184,000	34,184,000	34,344,000
Buildings and building equipment	115,896,000	116,032,000	115,312,000
Machinery and equipment	71,343,000	65,758,000	59,619,000
Leaseholds and leasehold improvements	11,463,000	11,313,000	10,969,000
Total	232,886,000	227,287,000	220,244,000
Less accumulated depreciation and amortization	72,758,000	70,021,000	64,482,000
Property, plant and equipment—net	160,128,000	157,266,000	155,762,000
OTHER ASSETS:			
Cost in excess of net assets acquired (Note 1)	64,423,000	64,973,000	67,115,000
Trademarks	100,033,000	100,033,000	100,033,000
Patents and licenses, less accumulated amortization ($5,302,000, $5,027,000 and $4,179,000)	8,029,000	8,304,000	9,152,000
Prepaid expenses, deferred charges, etc.	6,274,000	7,961,000	7,302,000
Total other assets	178,759,000	181,271,000	183,602,000
Total assets	$1,016,145,000	$1,141,007,000	$1,139,148,000

See the accompanying Notes to Consolidated Financial Statements.

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LOEW'S THEATRES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31, 1974	August 31, 1974	August 31, 1973
CURRENT LIABILITIES:			
Short-term debt (Note 5)	$ 122,980,000	$ 48,148,000	$ 80,020,000
Accounts payable—principally trade	33,827,000	37,592,000	31,149,000
Accrued liabilities:			
Payroll	2,142,000	1,853,000	2,511,000
Interest	4,895,000	11,200,000	9,009,000
Other	1,342,000	1,393,000	1,122,000
Accrued taxes:			
Federal and foreign income taxes (Note 11)	2,338,000	3,909,000	4,900,000
Excise and other taxes	7,368,000	22,108,000	14,867,000
Current maturities of long-term debt, less unamortized discount (Note 6)	3,867,000	4,240,000	7,630,000
Total current liabilities	178,759,000	130,443,000	151,208,000
LONG-TERM DEBT, LESS CURRENT MATURITIES AND UNAMORTIZED DISCOUNT (Note 6):			
Senior debt, less current maturities	152,668,000	155,048,000	161,691,000
Subordinated debt	405,259,000	405,304,000	407,150,000
Total	557,927,000	560,352,000	568,841,000
Less unamortized discount	32,923,000	33,453,000	35,060,000
Long-term debt—net	525,004,000	526,899,000	533,781,000
DEFERRED CREDITS AND OTHER LIABILITIES:			
Deferred income taxes (Note 11)	10,939,000	11,943,000	10,825,000
Accrued employee benefits (Notes 9 and 10)	6,685,000	8,144,000	6,738,000
Deferred credits and other noncurrent liabilities	2,656,000	2,520,000	2,828,000
Total deferred credits and other liabilities	20,280,000	22,607,000	20,391,000
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 13)			
SHAREHOLDER'S EQUITY (Notes 6 and 7):			
Common stock, authorized and outstanding—100 shares; par value—$1 per share, $100 in aggregate			
Additional paid-in capital	120,708,000	120,741,000	120,741,000
Earnings retained in the business	171,394,000	340,317,000	313,027,000
Shareholder's equity	292,102,000	461,058,000	433,768,000
Total liabilities and shareholder's equity	$1,016,145,000	$1,141,007,000	$1,139,148,000

See the accompanying Notes to Consolidated Financial Statements.

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LOEW'S THEATRES, INC. AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNINGS (Note 2)

	Years Ended August 31,					Four Months Ended December 31,
	1970	1971	1972	1973	1974	1974
SALES AND OPERATING REVENUES:						
Sales of manufactured products (Note 1)	$508,836,000	$584,363,000	$604,469,000	$598,354,000	$605,200,000	$212,764,000
Revenues of theatre and hotel operations	163,613,000	161,070,000	155,058,000	84,237,000	92,270,000	30,378,000
Other revenues, principally rent and dividends	25,453,000	26,876,000	42,972,000	48,395,000	48,046,000	13,392,000
Total	697,902,000	772,309,000	802,499,000	730,986,000	745,516,000	256,534,000
COSTS AND EXPENSES:						
Cost of sales (Note 1)	351,333,000	404,620,000	426,541,000	421,110,000	439,797,000	160,249,000
Operating	114,357,000	113,618,000	109,463,000	58,844,000	65,042,000	21,145,000
Selling, advertising and administrative	114,748,000	124,075,000	129,739,000	115,629,000	116,737,000	46,196,000
Depreciation and amortization	11,538,000	11,985,000	11,952,000	8,893,000	8,837,000	2,992,000
Interest expense accrued and amortization of debenture discount and expense	52,212,000	46,398,000	47,018,000	50,416,000	49,101,000	17,853,000
Less interest capitalized (Note 1)	(2,127,000)	(3,108,000)	(2,146,000)	(1,875,000)		
Total	642,061,000	697,588,000	722,567,000	653,017,000	679,514,000	248,435,000
EARNINGS BEFORE ITEMS SET FORTH BELOW	55,841,000	74,721,000	79,932,000	77,969,000	66,002,000	8,099,000
PROVISIONS (BENEFITS) FOR INCOME TAXES (Note 11):						
Federal:						
Current	17,026,000	26,206,000	21,237,000	19,066,000	11,230,000	27,000
Deferred	3,055,000	2,562,000	1,602,000	655,000	1,728,000	(230,000)
State and city	3,417,000	3,370,000	4,360,000	3,489,000	2,499,000	1,426,000
Foreign (including deferred benefit of $1,040,000 in 1973)	599,000	450,000	994,000	1,428,000	2,660,000	636,000
Total	24,097,000	32,588,000	28,193,000	24,638,000	18,117,000	1,859,000
EARNINGS BEFORE SECURITY GAINS (LOSSES), EQUITY IN EARNINGS OF ASSOCIATED COMPANIES AND EXTRAORDINARY ITEMS	31,744,000	42,133,000	51,739,000	53,331,000	47,885,000	6,240,000
SECURITY GAINS (LOSSES) (Notes 1, 4 and 13):						
Realized gains (losses)	(11,020,000)	30,549,000	22,535,000	17,213,000	70,000	3,364,000
Less applicable income taxes (benefits) (including deferred benefit of $254,000 in the four months ended December 31, 1974)	(5,396,000)	11,953,000	9,018,000	5,328,000	44,000	1,677,000
Security gains (losses)—net	(5,624,000)	18,596,000	13,517,000	11,885,000	26,000	1,687,000
EQUITY IN EARNINGS OF ASSOCIATED COMPANIES (Notes 1 and 3)	2,526,000	4,472,000	2,282,000		9,379,000	6,418,000
EARNINGS BEFORE EXTRAORDINARY ITEMS	28,646,000	65,201,000	67,538,000	65,216,000	57,290,000	14,345,000
EXTRAORDINARY ITEMS (Note 12)			2,929,000			
NET EARNINGS	$ 28,646,000	$ 65,201,000	$ 70,467,000	$ 65,216,000	$ 57,290,000	$ 14,345,000

See the accompanying Notes to Consolidated Financial Statements.

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LOEW'S THEATRES, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE STATEMENT OF CONSOLIDATED EARNINGS

(Not Covered By Opinion of Independent Certified Public Accountants)

Four Months Ended December 31, 1974

Sales and operating revenues were $256,534,000 for the four months ended December 31, 1974. After deduction of costs and expenses in the amount of $248,435,000, and income taxes in the amount of $1,859,000, earnings before security gains and equity in earnings of associated Company amounted to $6,240,000. Security gains, net of tax benefits, for the four months ended December 31, 1974 were $1,687,000, while equity in earnings of associated Company, net of taxes, was $6,418,000. The above factors resulted in net earnings of $14,345,000 for the four month period.

Year Ended August 31, 1974 Compared to Year Ended August 31, 1973

The principal factors (net of related income taxes) accounting for the decrease in net earnings from fiscal 1973 to fiscal 1974 are (i) adoption of the LIFO method of accounting for the tobacco inventory of the Company's Lorillard Division effective with the year ended August 31, 1974, and, (ii) the absence of security gains for fiscal 1974. These factors were partially offset by the inclusion in 1974 of the Company's equity in earnings of Wheeling-Pittsburgh Steel Corporation arising from the Company's increased investment in Wheeling and adoption of the equity method of accounting for such investment.

Year Ended August 31, 1973 Compared to Year Ended August 31, 1972

The principal factors (net of related income taxes) accounting for the decrease in net earnings from fiscal 1972 to fiscal 1973 are (i) the reduction in security gains for fiscal 1973 (ii) the sale in July 1972 of the Company's investment in its former associated company, Franklin New York Corporation, which resulted in the elimination of the equity in earnings of such associated company, and, (iii) an extraordinary item during 1972.

Year Ended August 31, 1972 Compared to Year Ended August 31, 1971

The principal factors (net of related income taxes) accounting for the increase in net earnings from fiscal 1971 to fiscal 1972 are (i) increased sales and operating revenues in fiscal 1972 only partially offset by increased costs and expenses and (ii) extraordinary items during 1972. These factors were partially offset by reductions in (i) security gains in fiscal 1972 and (ii) equity in earnings of associated companies in fiscal 1972 as a result of the sale in July 1972 of the Company's investment in its former associated company, Franklin New York Corporation, which eliminated the recording of such earnings for the full fiscal year.

Year Ended August 31, 1971 Compared to Year Ended August 31, 1970

The principal factors (net of related income taxes) accounting for the increase in net earnings from fiscal 1970 to fiscal 1971 are (i) increased sales and operating revenues in fiscal 1971 only partially offset by increased costs and expenses and income taxes, (ii) the increase in security gains in fiscal 1971, and, (iii) the inclusion for the full year during fiscal 1971 of the equity in earnings of an associated company.

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LOEW'S THEATRES, INC. AND SUBSIDIARIES

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

	Years Ended August 31.			Dec.
	1972	1973	1974	
FUNDS PROVIDED:				
Earnings before security gains (losses), equity in earnings of associated companies and extraordinary items	$ 51,739,000	$ 53,331,000	$ 47,885,000	$
Items not currently requiring (providing) funds:				
Depreciation and amortization	11,952,000	8,893,000	8,837,000	2.
Deferred income taxes (benefits)	1,602,000	(385,000)	1,728,000	
Other—net	1,136,000	60,000	2,274,000	3.
Funds provided from operations exclusive of security gains (losses), equity in earnings of associated companies and extraordinary items	66,429,000	61,899,000	60,724,000	12.
Security gains (losses)—net	13,517,000	11,885,000	26,000	1.
Deferred income taxes relating to security gains (losses)				
Funds provided from operations exclusive of equity in earnings of associated companies and extraordinary items	79,946,000	73,784,000	60,750,000	13.
Extraordinary items	2,929,000			
Deferred income taxes related to extraordinary items	2,328,000			
Funds provided from operations exclusive of equity in earnings of associated companies	85,203,000	73,784,000	60,750,000	13.
Dispositions of investments and advances	10,485,000	59,573,000	4,258,000	49
Issuance of long-term debt	93,973,000	7,110,000		
Reduction of cost in excess of net assets acquired attributable to:				
Income tax benefits	6,655,000	4,616,000	2,142,000	
Sale of investment in former associated company	16,528,000			
Dispositions of property, plant and equipment	26,513,000	37,389,000	2,638,000	
Total	239,357,000	182,472,000	69,788,000	63.
FUNDS APPLIED:				
Additions to investments and advances	34,049,000	33,601,000	8,432,000	237
Exercise of warrants through application of 6¾% debentures	3,542,000	2,834,000		
Dividends paid (includes, in the four months ended December 31, 1974 a dividend in kind consisting of the common stock of Lawton General Corp.)	12,202,000	28,891,000	30,000,000	167
Investments in associated companies		17,968,000*	23,572,000*	
Additions to property, plant and equipment	17,201,000	10,791,000	12,127,000	5.
Reduction in deferred income taxes		7,651,000	1,098,000	
Reduction of long-term debt	45,673,000	71,254,000	8,490,000	2.
Other—net	(2,583,000)	(875,000)	464,000	2.
Total	110,084,000	172,115,000	84,183,000	415
NET FUNDS PROVIDED (APPLIED) REPRESENTED BY:				
Increase (decrease) in investments in securities	67,952,000	(4,790,000)	(69,582,000)	(341.
Increase (decrease) in working capital:	61,321,000	15,147,000	55,187,000	(10.
Total	$129,273,000	$ 10,357,000	$(14,395,000)	$(331.
NET FUNDS PROVIDED (APPLIED) BY COMPONENT:				
Increase (decrease) in investments in securities	$ 67,952,000	$ (4,790,000)	$(69,582,000)	$(341.
Increase (decrease) in working capital:				
Cash on hand, demand and time deposits	(3,130,000)	(5,750,000)	10,265,000	10.
Receivables	(12,343,000)	270,000	17,853,000	(11.
Inventories	48,587,000	315,000	6,304,000	37.
Real estate held for development and sale	16,416,000	(55,048,000)		
Short-term debt	17,401,000	26,042,000	31,372,000	(74
Accounts payable and accrued liabilities	1,640,000	29,279,000	(8,247,000)	9
Accrued taxes	(1,990,000)	10,443,000	(6,250,000)	16
Current maturities of long-term debt, less unamortized discount	(5,260,000)	9,596,000	3,390,000	
Increase (decrease) in working capital	61,321,000	15,147,000	55,187,000	(10
Total	$129,273,000	$ 10,357,000	$(14,395,000)	$(331.

* Exclusive of equity adjustments for associated companies which did not result in funds provided or appli

See the accompanying Notes to Consolidated Financial Statements.

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LOEW'S THEATRES, INC. AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNINGS RETAINED IN THE BUSINESS

	Years Ended August 31,					Four Months Ended December 31,
	1970	1971	1972	1973	1974	1974
Balance, beginning of period	$139,701,000	$165,751,000	$218,673,000	$276,702,000	$313,027,000	$340,317,000
Add:						
Net earnings	28,646,000	65,201,000	70,467,000	65,216,000	57,290,000	14,345,000
Equity in net earnings of associated company for the months of October and November 1974 (Note 3)						2,712,000
Total	168,347,000	230,952,000	289,140,000	341,918,000	370,317,000	357,374,000
Deduct:						
Dividends paid. $19.270, $112.270, $122.020, $288,910, $300,000 and $1,859,800 per share:						
Cash	1,927,000	11,227,000	12,000,000	15,000,000	30,000,000	3,500,000
Other than cash (Notes 1 and 2)			202,000	13,891,000		182,480,000
Equity in certain transactions of former associated company	669,000	1,052,000	236,000			
Total	2,596,000	12,279,000	12,438,000	28,891,000	30,000,000	185,980,000
Balance, end of period (Note 6)	$165,751,000	$218,673,000	$276,702,000	$313,027,000	$340,317,000	$171,394,000

STATEMENT OF CONSOLIDATED ADDITIONAL PAID-IN CAPITAL

	Years Ended August 31,					Four Months Ended December 31,
	1970	1971	1972	1973	1974	1974
Balance, beginning of period	$105,587,000	$105,966,000	$120,741,000	$120,741,000	$120,741,000	$120,741,000
Add:						
Exercise of warrants	4,000					
Exercise of stock options	325,000	381,000				
Conversion of 5½% convertible subordinated debentures	50,000					
Retirement of common stock pursuant to Agreement and Plan of Merger (Note 7)		14,394,000				
Deduct—equity in certain transactions of associated company						(33,000)
Balance, end of period	$105,966,000	$120,741,000	$120,741,000	$120,741,000	$120,741,000	$120,708,000

See the accompanying Notes to Consolidated Financial Statements.

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LOEW'S THEATRES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change of fiscal year—Effective December 31, 1974 the Company changed its fiscal year end from August 31 to December 31. Accordingly, the Statements of Consolidated Earnings, Consolidated Earnings Retained in the Business, Consolidated Additional Paid-In Capital and Changes In Consolidated Financial Position are presented for the four month period ended December 31, 1974.

Principles of consolidation—The consolidated financial statements of the Company, a wholly-owned subsidiary of Loews Corporation, include all subsidiaries. The balance sheet accounts of foreign subsidiaries (such subsidiaries are not significant) are translated at historical rates of exchange except for cash, receivables and payables, which are translated at current rates of exchange in effect at the close of the respective periods. Revenue and expense accounts are translated at average exchange rates in effect during the periods, except for depreciation and amortization of property which are translated at the rates of exchange in effect when the respective assets were acquired. Net unrealized gains from foreign currency translation are deferred and net translation losses are charged to gains previously deferred or operations.

In the four months ended December 31, 1974 and the two years ended August 31, 1973 the Company transferred to Loews Corporation, in the form of dividends consisting of common stock and fixed assets of subsidiaries, its interests in subsidiaries engaged in security investments (see Note 2), residential real estate development and operation of certain hotels. The results of operations of such subsidiaries have been included in the statement of consolidated earnings through the dates of transfer.

Certain amounts applicable to prior years have been reclassified to conform to the classifications followed at December 31, 1974.

Inventories—Effective with the year ended August 31, 1974 the Company changed its method of accounting for tobacco inventory from the average cost method to the last-in, first-out (LIFO) method. Other inventories continue to be accounted for using the lower of average cost or market. The change to the LIFO method was made because Management believes that the LIFO method reduces the effect of inflation on the Company's earnings and more realistically matches current costs against current revenues and thus more clearly reflects the results of operations. The effect of the change was to reduce the inventory at August 31, 1974 by approximately $13,900,000, and to reduce net earnings for the year then ended by approximately $6,900,000. The cumulative effect on earnings retained in the business at September 1, 1973 and disclosure of pro forma amounts of earnings on a restated basis have been omitted because they are not practicable to determine. If the average cost method of accounting had been used for tobacco inventory instead of the LIFO method, such inventory would have been $27,139,000 higher at December 31, 1974.

The entire inventory of leaf tobacco has been classified as a current asset in accordance with generally recognized trade practice although, due to the duration of the aging processes, a substantial portion of the tobacco on hand ordinarily will not be sold or used within one year.

Inventories used to determine cost of goods sold were $253,893,000, $254,208,000, $260,512,000 and $298,397,000 at August 31, 1972, 1973, 1974 and December 31, 1974, respectively.

Real estate held for development and sale—Such assets used to determine cost of goods sold amounted to $55,048,000 and $67,361,000 at August 31, 1972 and March 1, 1973 (the date of transfer of the Company's interest in residential real estate development referred to above), respectively.

Capitalized interest—Prior to March 1973 the Company was engaged in construction of residential development projects, at which time the Company transferred, by way of a dividend, its interests in such projects to Loews Corporation. The Company has consistently followed the policy of capitalizing interest on borrowings for its residential development projects as these expenditures were considered to be part of the cost of construction. Such capitalized amounts were charged to cost of sales at the time of sale of the related project. The net effect of the Company's policy of capitalizing interest as compared to a policy of charging interest to expense as incurred did not have any significant impact on net earnings in any of the applicable periods.

Investments in associated companies:

Wheeling-Pittsburgh Steel Corporation (Wheeling)—The Company carried its investment in Wheeling at cost adjusted for the Company's share of earnings and capital changes of Wheeling from dates of acquisition plus amortization of the excess of equity in net assets acquired over cost thereof. The Company reported as earnings its proportionate share of Wheeling's earnings plus amortization of the excess of equity in net assets acquired over cost thereof and provided for appropriate deferred Federal income taxes on the undistributed earnings so reported (see Note 3).

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CNA Financial Corporation (CNA)—Effective December 31, 1974, Loews Corporation, in a purchase transaction, acquired control of CNA. Accordingly, the Company reclassified its investment in CNA as of August 31, 1974 and August 31, 1973 to investments in associated companies (see Note 3).

Effective November 30, 1974, the Company transferred to Loews Corporation, by way of a dividend, its subsidiary which held the investments in Wheeling and CNA. Accordingly, as of December 31, 1974 the Company no longer carries investments in associated companies (see Notes 2 and 3).

Investments in securities—Investments in securities are carried at cost and consists principally of investments in various common stocks. The cost of securities sold is determined on the identified certificate or first-in, first-out method.

Investments in and advances to unconsolidated companies—Such investments and advances include the Company's investments in 50%-owned companies which are stated at cost, adjusted to give effect to equity in subsequent earnings and dividends received.

Advances to affiliated companies—Advances to affiliated companies consist of $260,100,000 due from Lawton General Corp. (Lawton) and $13,171,000 due from Loews Corporation at December 31, 1974 and $35,848,000 and $28,583,000 due from Loews Corporation at August 31, 1974 and 1973, respectively. The advances to Lawton were made during the period that Lawton was a subsidiary of the Company (see Note 2).

Property, plant and equipment—Depreciation is computed principally on the straight-line method over the estimated useful lives of the various classes of properties. Leaseholds and leasehold improvements are amortized over the terms of the related leases (including optional renewal periods where appropriate) or the estimated lives of improvements, if less than the lease term.

The principal service lives used in computing provisions for depreciation are as follows:

Property	Years
Buildings and building equipment	40 to 50
Machinery and equipment	5 to 20
Hotel building fixtures	10 to 20
Hotel equipment	4 to 12
Theatre and other equipment	4 to 20

The cost of maintenance and repairs is charged to earnings as incurred. Major renewals and betterments are capitalized. Upon the retirement or other disposition of property, the asset and accumulated depreciation is charged or credited with the amount therein applicable to such property and the profit or loss is included in earnings. Fully depreciated equipment is eliminated from the asset and accumulated depreciation accounts without regard to whether such assets are still in use.

Cost in excess of net assets acquired:

Franklin New York Corporation (Franklin)—The Company accounted for its investment in its former associated company, Franklin, under the equity method of accounting. The cost of the Company's investment, in excess of its underlying equity in net assets acquired was $16,528,000 as of August 31, 1971. Such amount, less amortization of $91,000, was eliminated in 1972 as a result of the sale of the Franklin investment (see Note 12).

Lorillard Corporation (Lorillard)—Lorillard was acquired November 30, 1968, liquidated and merged into the Company in July 1969 and has continued operations as a division of the Company. The cost in excess of net assets acquired related to this acquisition, amounting to $128,944,000 before deduction of the estimated tax benefits referred to below, has been attributed to other intangibles which, in the opinion of Management, have continuing value. It is the Company's policy not to amortize such excess as long as there is no diminution in value of the investment.

As a result of the aforementioned liquidation, the Company realized certain income tax benefits which have been considered to be partial recoveries of the cost in excess of net assets acquired. The tax benefits realized to date are as follows:

Year ended August 31,	
1970	$32,477,000
1971	18,081,000
1972	6,655,000
1973	4,616,000
1974	2,142,000
Four months ended December 31, 1974	550,000
Total	$64,521,000

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In November 1973, the Company received an examination report from the Internal Revenue Service (IRS) advising the Company that it will seek to deny substantially all of such tax benefits for years through 1970. The IRS presumably will also seek to deny such benefits for later years. The Company does not accept the position of the IRS and has filed a protest to such denial in February 1974. Should the IRS be successful in its disallowance of any portion of the above-mentioned tax benefits, such portion will accordingly be restored to cost in excess of net assets acquired.

Excise taxes—Excise taxes in the amounts of $182,030,000, $193,328,000, $194,752,000, $197,054,000, $196,966,000 and $64,051,000 for the five years ended August 31, 1974 and the four months ended December 31, 1974, respectively, paid on sales of manufactured products are included in sales and operating revenues and cost of sales in the accompanying statement of consolidated earnings.

2. Dividend of Lawton General Corp.

Effective November 30, 1974, the Company transferred, by way of a dividend, its investment in Lawton, a wholly-owned subsidiary of the Company, to Loews Corporation to facilitate the pledge of investment securities for borrowing on a margin basis in connection with Loews Corporation's purchase of control of CNA Financial Corporation. Lawton owned the principal portion of the Company's investments in securities. The revenues, costs and expenses, security gains (losses) and equity in earnings of associated companies attributable to Lawton for the five years ended August 31, 1974 and the three months ended November 30, 1974 are as follows:

	Years Ended August 31.					Three Months Ended November
	1970	1971	1972	1973	1974	1974
Revenues, principally dividends	$ 8,457,000	$11,205,000	$20,600,000	$23,406,000	$24,396,000	$ 6,027,00
Selling, advertising and administrative expenses	41,000	631,000	942,000	653,000	152,000	(3,00
Interest expense and amortization of debt expense	1,954,000	2,152,000	2,076,000	249,000	66,000	2,00
Provisions (benefits) for income taxes:						
Federal:						
Current	228,000	(67,000)	231,000	1,452,000	2,051,000	564,00
Deferred		240,000	644,000	330,000	164,000	
State and city	19,000	110,000	142,000	69,000	1,000	
	2,242,000	3,066,000	4,035,000	2,753,000	2,434,000	563,00
Earnings before security gains (losses) and equity in earnings of associated companies	6,215,000	8,139,000	16,565,000	20,653,000	21,962,000	5,464,00
Security gains (losses):						
Realized gains (losses)	(11,714,000)	25,731,000	21,237,000	19,474,000	(357,000)	3,452,00
Less applicable income taxes (benefits) (including deferred benefit of $254,000 in the three months ended November 30, 1974)	(5,740,000)	10,035,000	8,495,000	6,037,000	(171,000)	1,677,00
Security gains (losses)—net	(5,974,000)	15,696,000	12,742,000	13,437,000	(186,000)	1,775,00
Equity in earnings of associated companies	1,232,000	1,639,000	1,404,000		9,379,000	6,418,00
Earnings attributable to Lawton	$ 1,473,000	$25,474,000	$30,711,000	$34,090,000	$31,155,000	$13,657,00

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3. INVESTMENTS IN ASSOCIATED COMPANIES

The investments in associated companies consist of:

	August 31, 1974	August 31, 1973
Wheeling-Pittsburgh Steel Corporation (at equity)	$24,259,000	$ 4,236,000
CNA Financial Corporation (at cost)	27,148,000	13,732,000
	$51,407,000	$17,968,000

Wheeling—At August 31, 1974 and August 31, 1973 the Company held 927,000 and 293,000 shares, respectively, of the common stock of Wheeling representing approximately 25.3% and 8.0%, respectively, of Wheeling's common shares outstanding at such dates. The Company purchased 634,000 shares of Wheeling common stock for $10,156,000 during the year ended August 31, 1974 and 293,000 shares for $4,236,000 during the year ended August 31, 1973.

The Company's equity in earnings of Wheeling comprises the following for the four months ended December 31, 1974 and the year ended August 31, 1974:

	Four Months Ended December 31, 1974	Year Ended August 31, 1974
Credited to earnings*:		
Equity in earnings of Wheeling	$5,603,000	$6,786,000
Amortization of excess of equity in net assets acquired over cost thereof	1,220,000	3,081,000
	6,823,000	9,867,000
Less applicable Federal income taxes:		
Current	24,000	
Deferred	381,000	488,000
	405,000	488,000
Total credited to earnings	6,418,000	9,379,000
Credited to earnings retained in the business*:		
Equity in earnings of Wheeling	2,922,000	
Less applicable deferred Federal income taxes	210,000	
Total credited to earnings retained in the buisness	2,712,000	
Total	$9,130,000	$9,379,000
Cash dividends	$ 324,000	

* The equity in earnings of Wheeling included in the accompanying consolidated financial statements for the three months ended September 30, 1974 (credited to earnings in the Statement of Consolidated Earnings) and the two months ended November 30, 1974 (credited to earnings retained in the business in the Statement of Consolidated Earnings Retained In The Business) is based on Wheeling's unaudited financial statements for the period subsequent to June 30, 1974. The equity in earnings for the two months ended November 30, 1974 was credited to earnings retained in the business in order to give effect to the Company's change in its fiscal year and adjust for the two months lag in reporting its equity in Wheeling's earnings under its former August 31 fiscal year end. The equity in earnings for the year ended August 31, 1974 is based on Wheeling's unaudited financial statements for the period since the Company's initial investment through June 30, 1974.

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Wheeling management announced on November 26, 1974 that, because of the high rate of inflation, they have adopted the LIFO method of accounting for inventories to replace the current average cost method. Wheeling's adoption of the LIFO method of accounting for inventories resulted in the restatement of Wheeling's earnings for all years since December 31, 1965. Such restatement had no effect on the Company's results of operations.

4. INVESTMENTS IN SECURITIES

The quoted market value of investments in securities aggregated approximately $4,000,000, $269,000,000 and $398,000,000 at December 31, 1974, August 31, 1974 and August 31, 1973, respectively. In the opinion of Management the decline in market value as compared to cost at December 31, 1974 does not constitute a permanent impairment of these investments (see Note 2).

5. SHORT-TERM DEBT

Short-term debt consists of the following:

	December 31, 1974	August 31, 1974	August 31, 1973
Demand notes payable to banks (interest rates at December 31, 1974 range from 10% to 10½%)	$110,780,000	$48,068,000	$78,240,000
Commercial paper (discount rates at December 31, 1974 range from 10¼% to 10¾%)	12,200,000		
Payable to brokers		80,000	1,780,000
Total*	$122,980,000	$48,148,000	$80,020,000

* The increase in short-term debt during the four months ended December 31, 1974 as compared to August 31, 1974 is primarily a result of increased tobacco purchases, purchases of equipment and increased cash.

Commercial paper is payable generally over terms approximating 30 days.

The maximum amount of short-term debt outstanding at any month end during the four months ended December 31, 1974 and the year ended August 31, 1974 was $122,980,000 and $125,892,000, respectively. The average amount of short-term debt outstanding during the periods was approximately $102,267,000 and $77,779,000, respectively, and the weighted average interest rate on such debt during such periods was approximately 11%. As of December 31, 1974 unused lines of credit available for additional short-term borrowings at the prime interest rate (10½% at December 31, 1974) aggregated approximately $51,600,000. Lines of credit are subject to compensating balances ranging from 0% to 20%.

Balances maintained by the Company with various banks who also extend credit to the Company are subject to withdrawal at any time.

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6. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 1974	August 31, 1974	August 31, 1973
Senior debt, less current maturities and unamortized discount:			
Twenty-five year 3% debentures due 1976...	$ 7,172,000	$ 7,172,000	$ 7,172,000
Twenty-five year 3¾% debentures due 1978 (effective interest rate of 3⅞%)	8,448,000	8,772,000	8,865,000
4⅞% sinking fund debentures due 1986 (effective interest rate of 5%)	22,353,000	23,327,000	25,710,000
Notes payable to banks under Revolving Credit Agreement for $60,000,000 terminating August 31, 1979, interest at 1% in excess of the prime commercial rate (10½% at December 31, 1974)	60,000,000	60,000,000	60,000,000
Other senior debt, principally mortgages (nominal interest rates and effective interest rates, where applicable, range from 4% to 8% at December 31, 1974)	58,562,000	60,017,000	67,600,000
Less:			
Current maturities	(3,867,000)	(4,240,000)	(7,656,000)
Unamortized discount (a)	(293,000)	(331,000)	(443,000)
Senior debt, less current maturities and unamortized discount	152,375,000	154,717,000	161,248,000
Subordinated debt, less unamortized discount:			
6⅝% subordinated debentures due 1993 (effective interest rate of 7¼%)	11,043,000	11,088,000	12,933,000
6⅞% subordinated debentures due 1993 (effective interest rate of 7⅞%) (c)	394,216,000	394,216,000	394,217,000
Less unamortized discount (b)	(32,630,000)	(33,122,000)	(34,617,000)
Subordinated debt, less unamortized discount	372,629,000	372,182,000	372,533,000
Long-term debt—net	$525,004,000	$526,899,000	$533,781,000

(a) Unamortized discount on senior debt relates principally to other senior debt.

(b) Unamortized discount on subordinated debt relates principally to the 6⅞% subordinated debentures.

(c) Redeemable in whole or in part, commencing in 1976 at 105% and decreasing percentages thereafter, and requiring annual sinking fund payments of $4,000,000 in years 1976 to 1980 and $17,500,000 from 1981 to 1993.

The aggregate of long-term debt maturing during the five years ending December 31, 1979 is approximately as follows: 1975, $3,867,000 (included in current liabilities); 1976, $13,627,000; 1977, $9,536,000; 1978, $18,735,000 and 1979, $69,492,000. Such amounts do not give effect to the 6⅞% subordinated debentures applied in payment of the exercise price upon the exercise of warrants, aggregating $7,032,000 through December 31, 1974 which may be used to reduce annual sinking fund requirements.

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The Revolving Credit Agreement and indentures relating to long-term debt of the Company contain, among other things, restrictive covenants relating to maintenance of minimum levels of working capital and net worth and payment of dividends on its common stock. At December 31, 1974, the Company's working capital and net worth were in excess of the minimum requirements and the amount of earnings retained in the business available for the payment of dividends under the most restrictive covenant was approximately $68,000,000.

7. Obligations Assumed by Loews Corporation On Behalf of the Company

On February 1, 1971, the Company became a wholly-owned subsidiary of Loews Corporation. Pursuant to the Agreement and Plan of Merger, Loews Corporation assumed the obligation to issue its common stock upon the exercise of the Company's warrants issued in the acquisition of Lorillard Corporation. The warrants entitle the bearer to purchase for cash (or through application of the 6⅞% subordinated debentures at principal amount) a share of common stock at a current price of $37.50 increasing to $40.00 per share in 1976. The warrants expire on November 29, 1980. At December 31, 1974, 6,275,000 warrants were outstanding.

8. Lease Commitments

Rent expense, lease commitments and other information relating to noncancellable leases (principally hotels and theatres), exclusive of taxes and other charges payable by the lessees, were as follows:

	Rentals*		Rentals from subleases		Net	
	Noncapitalized financing leases**	Total	Noncapitalized financing leases**	Total	Noncapitalized financing leases**	Total
			(in Thousands)			
Year Ended August 31, 1973	$ 8,453	$10,661	$ 2,009	$ 2,045	$ 6,444	$ 8,616
Year Ended August 31, 1974	8,268	11,870	2,008	2,044	6,260	9,826
Four Months Ended December 31, 1974	2,689	3,372	667	679	2,022	2,693
Years Ending December 31:						
1975	6,586	8,217	2,002	2,038	4,584	6,179
1976	6,157	7,707	2,002	2,039	4,155	5,668
1977	5,965	7,467	2,016	2,052	3,949	5,415
1978	5,556	6,997	2,017	2,054	3,539	4,943
1979	5,396	6,539	2,017	2,030	3,379	4,509
Five Years Ending December 31:						
1979	29,660	36,927	10,054	10,213	19,606	26,714
1984	25,902	30,902	8,910	8,910	16,992	21,992
1989	23,322	26,322	7,889	7,889	15,433	18,433
1994	17,915	17,915	7,277	7,277	10,638	10,638
Years Subsequent to 1994 (in total)	86,729	86,729	1,393	1,393	85,336	85,336

* Consists of minimum rental commitments except for the four months ended December 31, 1974 and the years ended August 31, 1974 and August 31, 1973 which also include additional rentals of $269,000, $148,000 and $124,000, respectively, based upon gross receipts or net earnings of related properties.

** Financing leases as defined by the Securities and Exchange Commission are those leases which either (i) cover 75 percent or more of the economic life of the property or (ii) have terms which assure the lessor a full recovery of the fair market value of the property plus a reasonable return.

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At December 31, 1974, August 31, 1974 and August 31, 1973 the present values of total non-capitalized financing leases (principally real property) approximated $62,200,000, $73,300,000 and $73,800,000, respectively, and the present values of rentals to be received under noncancellable subleases approximated $20,500,000, $22,000,000 and $21,700,000, respectively.

Interest rates used in computing present values ranged from 4.7% to 13.0% and the weighted average interest rates at December 31, 1974, August 31, 1974 and August 31, 1973 approximated 6.7% 6.3% and 6.3%, respectively. If all leases identified as noncapitalized financing leases had been capitalized, the effect on net earnings would not have been significant.

9. Retirement Plan

The Company and its subsidiaries have noncontributory retirement plans for hourly production and eligible salaried employees. It is the Company's policy to fund the accrued retirement cost relating to these plans (funding commenced in January 1974 as to the hourly production employee plan). The total retirement cost amounted to $1,839,000, $2,288,000 and $870,000 for the years ended August 31, 1973, August 31, 1974, and the four months ended December 31, 1974, respectively, which includes, as to the hourly production employee plan, amortization of unfunded prior service costs of approximately $22,700,000 over a period of 37 years.

As of the most recent date for which computations are available, the pension fund assets of the salaried employee plan exceeded the actuarially computed value of the vested benefits. The actuarially computed value of the vested benefits of the hourly production employee plan was approximately $5,600,000 greater than the pension fund assets and accrued pension costs.

Effective January 1, 1976, the Company will be required to comply with the participation, vesting and funding requirements of the Employee Retirement Income Security Act of 1974. Although it appears likely that compliance will have the effect of increasing the amount of periodic provision for pension expense, periodic funding of pension costs and unfunded vested benefits, an estimate of such effect will not be available until the necessary actuarial computations have been completed.

10. Profit Sharing Plan

The Company has provided for contributions to be made under the Lorillard Division's Profit Sharing Plan in the amounts of $1,449,000, $1,495,000 and $506,000 for the years ended August 31, 1973, August 31, 1974 and the four months ended December 31, 1974, respectively. Such provision is based upon consolidated earnings (as defined) of the Division.

11. Income Taxes

The Company and its includable subsidiaries are included in the consolidated Federal income tax return of Loews Corporation. Deferred income taxes (benefits) have been provided for the tax effects of items reported in different periods for financial and income tax reporting purposes. The sources of these differences for the four months ended December 31, 1974 and the year ended August 31, 1974 and the tax effect of each were as follows:

	Four Months Ended December 31, 1974	Year Ended August 31, 1974
Accelerated depreciation and amortization ...	$ 474,000	$1,797,000
Income reported on installment basis	(427,000)	(383,000)
Other	(277,000)	314,000
	(230,000)	1,728,000
Security gains (losses)	(254,000)	
Equity in earnings of associated company ...	381,000	488,000
Total	$ (103,000)*	$2,216,000

*Exclusive of deferred income taxes of $210,000 relating to equity in earnings of associated company for the two months ended November 30, 1974 which were credited to earnings retained in the business.

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State and city income taxes are principally current.

Total income tax expense for the four months ended December 31, 1974 and the year ended August 31, 1974 (including $1,677,000 and $44,000 relating to security gains and $405,000 and $488,000 relating to equity in earnings of associated company, respectively), amounted to $3,941,000 and $18,649,000, respectively (representing effective income tax rates of 22% and 25%, respectively). These amounts are less than the amounts of $8,777,000 and $36,451,000 computed by applying the statutory U. S. Federal income tax rate of 48% to income before income taxes for each of the respective periods. The reasons for the variances from the statutory rate are as follows:

	Percent of Pre-Tax Income	
	Four Months Ended December 31, 1974	Year Ended August 31, 1974
Statutory rate	48%	48%
Increase (decrease) in income tax rate resulting from:		
Dividends received deduction	(13)	(12)
Equity in earnings of associated company	(16)	(6)
Benefits upon tax allocation from parent and affiliated companies	(2)	(5)
Foreign income	3	(1)
State and city income taxes	4	2
Other	(2)	(1)
Effective income tax rate	22%	25%

The Federal income tax liabilities of the Company and Lorillard have been settled through 1966 and 1968, respectively. While liabilities for subsequent years are subject to final determination, the amount accrued in the consolidated balance sheet, in the opinion of Management, is believed to be adequate to cover any additional assessments which may be made by the IRS. See Note 1—"Cost in excess of net assets acquired" for information relating to the examination report of the IRS received in November 1973.

Subject to any additional assessments which may be made by the IRS (as referred to above) and based on currently available information, it is the opinion of Management that the estimated cash outlay for taxes will not be materially in excess of the estimated tax expense during any one of the next three years.

Because the Company intends to postpone indefinitely the remittance of earnings from a Domestic International Sales Corporation and to reinvest the earnings of foreign corporations, Federal income taxes have not been provided on such earnings aggregating $9,900,000 through December 31, 1974.

12. Extraordinary Items

Extraordinary items during the year ended August 31, 1972 consisted of the following:

Gain on sale of forty-eight theatres located principally in California and Florida	$ 8,049,000
Loss on sale of investment in former associated company, Franklin New York Corporation	(2,650,000)
	5,399,000
Less applicable income taxes, including deferred of $2,328,000	2,470,000
Net	$ 2,929,000

The sales and operating revenues and net earnings applicable to the above theatres sold were not significant in relation to consolidated sales and operating revenues and net earnings of continuing operations.

87757034

13. CONTINGENCIES

In July 1974, two civil antitrust actions purporting to be class actions were brought against the Company and a number of other tobacco companies by leaf growers in which treble damages against the defendants aggregating $2,524,569,000 are claimed. The suits allege violations of the antitrust laws by the defendants commencing in 1969 in one suit and 1970 in the other suit. As indicated above, the actions are of recent origin and it is not feasible for counsel for the Company to express an opinion as to the liability, if any, which the Company may incur in the final disposition of these matters. The Company intends to defend these actions vigorously.

In March 1973 the Company had several transactions in the common stock of Equity Funding Corporation of America which have given rise to a lawsuit by the Company against the sellers seeking damages and rescission. The outcome of the lawsuit is not presently determinable. In the year ended August 31, 1973 the Company provided for potential losses of $5,283,000, less applicable tax effect of $2,536,000. Such provision is included under the caption "security gains (losses)" in the accompanying statement of consolidated earnings.

Pending litigation also includes other civil and antitrust actions for damages incident to the Company's businesses. The outcome of such actions will not, in the opinion of Management, materially affect the business or assets of the Company and its subsidiaries.

14. SUPPLEMENTARY INCOME STATEMENT INFORMATION

The following tabulation summarizes the supplementary income statement information for the two years ended August 31, 1974 and the four months ended December 31, 1974:

	Years Ended August 31,		Four Months Ended December 31,
	1973	1974	1974
Maintenance and repairs	$ 10,172,000	$ 12,694,000	$ 4,307,000
Depreciation and amortization of property, plant and equipment	$ 8,020,000	$ 7,872,000	$ 2,672,000
Amortization of intangible assets	$ 873,000	$ 965,000	$ 320,000
Taxes, other than income taxes:			
Excise	$197,054,000	$196,966,000	$64,051,000
Real estate and personal property	6,255,000	6,247,000	2,070,000
Payroll	4,924,000	5,409,000	1,780,000
Other	1,944,000	1,999,000	590,000
Total	$210,177,000	$210,621,000	$68,491,000
Rents	$ 10,897,000	$ 11,914,000	$ 3,417,000
Advertising costs	$ 46,009,000	$ 48,195,000	$18,773,000

87957035

SCHEDULE V

LOEW'S THEATRES, INC. AND SUBSIDIARIES

PROPERTY, PLANT AND EQUIPMENT

For the Four Months Ended December 31, 1974

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes—Add (Deduct)	Balance at End of Period
Land	$ 34,184,000				$ 34,184,000
Buildings and building equipment	116,032,000	$ 171,000		$(307,000) (1)	115,896,000
Machinery and equipment	65,758,000	5,603,000	$ 325,000	307,000 (1)	71,343,000
Leaseholds and leasehold improvements	11,313,000	94,000	40,000	96,000	11,463,000
Total	$227,287,000	$ 5,868,000	$ 365,000	$ 96,000	$232,886,000

NOTE:

(1) Reclassification.

87757036

SCHEDULE VI

LOEW'S THEATRES, INC. AND SUBSIDIARIES

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

For the Four Months Ended December 31, 1974

Column A	Column B	Column C	Column D	Column E	Column F
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes—Add (Deduct)	Balance at End of Period
Buildings and building equipment	$45,619,000	$ 976,000			$46,595,000
Machinery and equipment	19,684,000	1,775,000	$ 231,000		21,228,000
Leaseholds and leasehold improvements	4,718,000	208,000	20,000	$ 29,000	4,935,000
Total	$70,021,000	$ 2,959,000	$ 251,000	$ 29,000	$72,758,000

NOTE—Reconcilement to amount shown on the statement of consolidated earnings:

Amount charged to costs and expenses as shown above	$2,959,000
Amount charged to cost of sales	(287,000)
Amount charged to costs and expenses for amortization of patents and licenses—Schedule VII	275,000
Amount charged to costs and expenses—other	45,000
Provision for depreciation and amortization shown on statement of consolidated earnings	$2,992,000

87753037

SCHEDULE VII

LOEW'S THEATRES, INC. AND SUBSIDIARIES

INTANGIBLE ASSETS

For the Four Months Ended December 31, 1974

Column A	Column B	Column D		Column E	Column F
		Deductions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes—Add (Deduct)	Balance at Close of Period
Cost in excess of net assets acquired (2)	$ 64,973,000			$ (550,000) (1)	$ 64,423,000
Trademarks	$100,033,000				$100,033,000
Patents and licenses, less amortization	$ 8,304,000	$275,000 (3)			$ 8,029,000

NOTES:

(1) Represents estimated tax benefits realized during the four months ended December 31, 1974 as a result of the liquidation of Lorillard Corporation.

(2) See Note 1 to consolidated financial statements.

(3) See Note to Schedule VI.

87757038

LOEW'S THEATRES, INC. AND SUBSIDIARIES

BONDS, MORTGAGES AND SIMILAR DEBT

December 31, 1974

Column A	Column B	Column C	Column D		Column E
			Amount Included in Column C, Which Is		
Name of Issuer and Title of Each Issue	Amount Authorized By Indenture	Amount Issued and Not Retired or Cancelled	Held By or for Account of Issuer Thereof	Not Held By or for Account of Issuer Thereof	Amount Included in Sum Extended Under Caption "Bonds, Mortgages and Similar Debt" in Related Balance Sheet
LOEW'S THEATRES, INC.:					
Notes payable to banks under Revolving Credit Agreement, terminating August 31, 1979, interest at 1% in excess of the prime commercial rate	None	$ 60,000,000		$ 60,000,000	$ 60,000,000
6⅞% subordinated debentures due 1993	$415,000,000	394,644,000(1)	$ 428,000	394,216,000	394,216,000
3% twenty-five year debentures due March 1, 1976	15,000,000	7,650,000(2)	478,000	7,172,000	7,172,000
3¾% twenty-five year debentures due April 1, 1978	22,500,000	9,675,000(2)	1,227,000	8,448,000	8,448,000
4⅞% sinking fund debentures due June 1, 1986 ...	40,000,000	25,600,000(2)	3,247,000	22,353,000	22,353,000
6⅝% subordinated debentures due April 1, 1993 ...	13,720,000	13,034,000(2)	1,991,000	11,043,000	11,043,000
53RD & 7TH CORP.:					
6½% first mortgage due September 1, 1998	None	8,274,000		8,274,000	8,274,000
LOEW'S SUMMIT, INC.:					
6¼% leasehold mortgage due December 1, 1981 ...	None	3,922,000		3,922,000	3,922,000
61ST & PARK AVE. CORP.:					
6¼% first mortgage due July 1, 1988	None	8,599,000		8,599,000	8,599,000
SQUIRECO BUILDING CORPORATION:					
6% first mortgage due May 3, 1984	None	4,559,000		4,559,000	4,559,000
TOWER 58 CORPORATION:					
7½% repurchase obligation due in installments to March 1, 2010	None	4,751,000		4,751,000	4,751,000
Other mortgages and similar obligations, ranging in interest from 4% to 8% and maturities from 1975 to 1994	None	28,457,000		28,457,000	28,457,000
Long-term debt		$569,165,000	$7,371,000	$561,794,000	561,794,000
Less—current maturities of long-term debt					3,867,000(4)
Long-term debt, less current maturities					557,927,000
Less—unamortized discount					32,923,000
Long-term debt—net					$525,004,000

NOTES:

(1) Under the Indenture, additional amounts may be issued up to the amount authorized.

(2) The Indenture does not contain any provision as to the issuance of additional debentures.

(3) Columns F, G and H are omitted as the answers thereto would be "None" or the amounts which would be disclosed are not significant.

(4) Included in current liabilities.

(5) See Note 6 to consolidated financial statements.

SCHEDULE IX

8975703

LOEW'S THEATRES, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

For the Four Months Ended December 31, 1974

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Deducted from assets:					
Allowance for cash discounts	$ 465,000	$5,647,000		$5,648,000(1)	$ 464,000
Allowance for doubtful accounts	1,528,000	484,000		243,000(2)	1,769,000
Total	$1,993,000	$6,131,000		$5,891,000	$2,233,000
Other:					
Accrued employee benefits	$8,144,000	$ 864,000		$2,323,000(3)	$6,685,000

NOTES:

(1) Discounts allowed.

(2) Accounts written off and collection fees incurred.

(3) Represents payments of employee benefits.

SCHEDULE XII

87757040

LOEW'S THEATRES, INC. AND SUBSIDIARIES

CAPITAL SHARES

December 31, 1974

Column A	Column B	Column C	Column D		Column E		Column F		Column G	
			Number of Shares Included in Column C Which are		Shares Issued or Outstanding as Shown on or Included in Related Balance Sheet Under Caption "Capital Shares"		Number of Shares Held by Affiliates for Which Statements are Filed Herewith		Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	
Name of Issuer and Title of Issue	Number of Shares Authorized by Charter	Number of Shares Issued and Not Retired or Cancelled	Held by or for Account of Issuer Thereof	Not Held by or for Account of Issuer Thereof	Number	Amount at Which Shown	Persons Included in Consolidated Statements	Others	Directors, Officers and Employees	Others
Loew's Theatres, Inc., common stock, par value $1	100	100	None	100	100	None	None	None	(1)	(1)
Minority interest:										
Gates Theatre Corporation, common stock, par value $5	3,000	3,000	None	3,000	1,383⅓	$ 6,917	1,616⅔	None	None	None
Hawthorne Amusement Corporation, capital stock, par value $100	100	100	None	100	33⅓	3,333	66⅔	None	None	None
						$10,250(2)				

NOTES:

(1) Information with respect to the capital shares of other subsidiaries consolidated is omitted as all the outstanding capital shares of such subsidiaries are owned by the Company and the answer to column G would be "None".

(2) Included in "deferred credits and other liabilities" in the consolidated balance sheet.

SCHEDULE XIII

8775704A

LOEW'S THEATRES, INC. AND SUBSIDIARIES

WARRANTS

December 31, 1974

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Title of Issue of Securities Called for by Warrants	Amount of Securities Called for by Each Warrant	Number of Warrants Outstanding	Aggregate Amount of Securities Called for by Warrants Outstanding	Date From Which Warrants are Exercisable	Expiration Date of Warrants	Price at Which Warrant Exercisable
Loews Corporation — common stock, $1 par value	1	6,275,000	6,275,000	November 30, 1968	November 29, 1980	(Note)

NOTE—Warrants are exercisable at a price of $37.50 per share through November 29, 1976 and $40.00 per share thereafter through November 29, 1980 (see Note 7 to consolidated financial statements).

87757042

SCHEDULE V

LOEW'S THEATRES, INC. AND SUBSIDIARIES

PROPERTY, PLANT AND EQUIPMENT

For the Year Ended August 31, 1974

Column A	Column B	Column C	Column D	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements	Balance at End of Period
Land	$ 34,344,000	$ 198,000	$ 358,000	$ 34,184,000
Buildings and building equipment	115,312,000	2,948,000	2,228,000	116,032,000
Machinery and equipment	59,619,000	8,524,000	2,385,000	65,758,000
Leaseholds and leasehold improvements	10,969,000	457,000	113,000	11,313,000
Total	$220,244,000	$12,127,000	$ 5,084,000	$227,287,000

8775704

SCHEDULE VI

LOEW'S THEATRES, INC. AND SUBSIDIARIES

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

For the Year Ended August 31, 1974

Column A	Column B	Column C	Column D	Column F
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Balance at End of Period
Buildings and building equipment	$43,868,000	$ 2,706,000	$ 955,000	$45,619,000
Machinery and equipment	16,542,000	4,519,000	1,377,000	19,684,000
Leaseholds and leasehold improvements ...	4,072,000	647,000	1,000	4,718,000
Total	$64,482,000	$ 7,872,000	$ 2,333,000	$70,021,000

Note—Reconcilement to amount shown on the statement of consolidated earnings:

Amount charged to costs and expenses as shown above	$7,872,000
Amount charged to costs and expenses for amortization of patents and licenses—Schedule VII	848,000
Amount charged to costs and expenses—other	117,000
Provision for depreciation and amortization shown on statement of consolidated earnings	$8,837,000

87753044

SCHEDULE VII

LOEW'S THEATRES, INC. AND SUBSIDIARIES

INTANGIBLE ASSETS

For the Year Ended August 31, 1974

Column A	Column B	Column D		Column E	Column F
		Deductions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes—Add (Deduct)	Balance at Close of Period
Cost in excess of net assets acquired (2)	$ 67,115,000			$ (2,142,000) (1)	$ 64,973,000
Trademarks	$100,033,000				$100,033,000
Patents and licenses, less amortization	$ 9,152,000	$848,000 (3)			$ 8,304,000

NOTES:

(1) Represents estimated tax benefits for the year ended August 31, 1974 realized as a result of the liquidation of Lorillard Corporation.

(2) See Note 1 to consolidated financial statements.

(3) See Note to Schedule VI.

8725045

LOEW'S THEATRES, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

For the Year Ended August 31, 1974

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Deducted from assets:					
Allowance for cash discounts	$ 381,000	$16,132,000		$16,048,000(1)	$ 465,000
Allowance for doubtful accounts	1,753,000	290,000		515,000(2)	1,528,000
Total	$2,134,000	$16,422,000		$16,563,000	$1,993,000
Other:					
Accrued employee benefits	$6,738,000	$ 1,899,000	$237,000	$ 730,000(3)	$8,144,000

NOTES:

(1) Discounts allowed.

(2) Accounts written off and collection fees incurred.

(3) Represents payments of employee benefits.

87757046

IN THE CIRCUIT COURT OF THE FIFTEENTH
JUDICIAL CIRCUIT IN AND FOR THE COUNTY
OF PALM BEACH, STATE OF FLORIDA

----------x

THE STATE OF FLORIDA, LAWTON M. CHILES, JR., Individually and as GOVERNOR OF THE STATE OF FLORIDA, DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION, and THE AGENCY FOR HEALTH CARE ADMINISTRATION,

Plaintiffs,

- against -

Case Number:
CL 95 1466 AO

THE AMERICAN TOBACCO COMPANY; REYNOLDS TOBACCO COMPANY; RJR NABISCO, INC.; B.A.T. INDUSTRIES, PLC; BATUS HOLDINGS, INC.; BROWN & WILLIAMSON TOBACCO CORPORATION; PHILIP MORRIS COMPANIES, INC.; PHILIP MORRIS INCORPORATED (PHILIP MORRIS U.S.A.); LIGGETT GROUP, INC.; LIGGETT & MYERS INC.; BROOKE GROUP LIMITED; THE BROOKE GROUP LTD., INC.; LOEWS CORPORATION; LORILLARD CORPORATION; UNITED STATES TOBACCO COMPANY; UST INC.; THE COUNCIL FOR TOBACCO RESEARCH-U.S.A., INC., (SUCCESSOR TO TOBACCO INSTITUTE RESEARCH COMMITTEE); THE TOBACCO INSTITUTE, INC.; HILL & KNOWLTON, INC.; BRITISH AMERICAN TOBACCO CO., LTD.; and DOSAL TOBACCO CORP., INC.,

Defendants.

----------x

DEPOSITION of ANDREW H. TISCH, held at the offices of Wachtell, Lipton, Rosen & Katz, Esqs., 51 West 52nd Street, New York, New York 10019-6618, on the 7th day of August 1996, commencing at 10:03 a.m., before Colette Cantoni, a Registered Professional Reporter and Notary Public of the State of New York, pursuant to Notice.

and you needed to come; is that correct?

A I don't know that that was the -- that's how I would characterize it, but I think that there was a feeling that they had that Bob Ave was not doing a good job as CEO of Lorillard.

Q Do you know where Mr. Ave is presently?

A I don't know exactly. I think I have a pretty good idea where he is.

Q Where?

A I believe he is living in Jacksonville, or somewhere near Jacksonville.

Q What is he doing?

A I don't know if he's doing anything.

Q Did he work for someone else after he left Lorillard?

A I believe he did.

Q Which company, if you know?

A I believe he worked for MCA Marketing Corporation of America in some capacity.

Q So he got out of the tobacco business?

A I believe so. I don't know if he worked on any tobacco projects as a consultant or not after that.

Q Have you heard any rumors that he did?

A. Tisch

Q What discussions were there about who would take your place, and with whom?

A I know that I had -- I had discussed that -- the succession with Larry and Bob Tisch. And I believe that we all agreed that Dr. Spears who at that time was the vice chairman and chief operating officer of the company would be a very suitable successor.

Q Who was it that made the decision to put you in as the CEO of Lorillard and to remove Mr. Ave?

A Remove Mr. Ave as the CEO?

Q Yes.

A I believe that was Larry and Bob's recommendation to the board of Lorillard.

Q So it was at their instigation; would that be fair?

MR. WACHTELL: You don't like the word "recommendation"? I object to the form of the question.

A Let's leave it at recommendation.

Q Okay. Prior to the recommendation to the board of Lorillard, obviously Robert and Laurence Tisch came to the conclusion that Ave needed to go

IN THE CIRCUIT COURT OF THE
FIFTEENTH JUDICIAL CIRCUIT IN AND
FOR PALM BEACH COUNTY, FLORIDA

THE STATE OF FLORIDA, et al., Plaintiffs, - against - THE AMERICAN TOBACCO COMPANY, et al., Defendants.	CIVIL DIVISION Case No. 95-1466 AH

AFFIDAVIT

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Preston Robert Tisch, having been first duly sworn, says:

1. I am presently Co-Chairman and Co-Chief Executive Officer of Loews Corporation.

2. Throughout the 1970s, I was President and a member of the Board of Loews Theaters, Inc. During that period, Lester Pollack (who is presently out of the country and thus unavailable to sign an affidavit) was Vice President

(and later Senior Vice President and Executive Vice President) and a member of the Board of Loews Theaters, Inc. Mr. Pollack and I held similar positions with Loews Corporation.

3. To the extent that Mr. Pollack or I attended any meetings of the Tobacco Institute or the Council for Tobacco Research, we did so as officers and directors of Loews Theaters, Inc., not as representatives of Loews Corporation. Indeed, Mr. Pollack and I never attended any meeting of either organization as a representative of Loews Corporation. Lorillard -- the tobacco operating company -- was a division of Loews Theaters, Inc., not of Loews Corporation.

4. Likewise, to the extent that there was a proposed meeting between me and Mayor Koch in 1978 regarding a promotional program, I would have been scheduled to attend that meeting in my capacity as President of Loews Theaters, Inc., not as President of Loews Corporation.

Preston Robert Tisch

Subscribed and sworn to before me, a notary public, this 30th day of August, 1996.

Notary Public

VICTORIA J. ALFONZETTI
NOTARY PUBLIC, State of New York
No. 60-4801830
Qualified in Westchester County
Cert. Filed in New York County
Commission Expires 11/30/97