To the Stockholders of Beatdee Creamery Company:

Herewith is submitted annual balance sheet and earnings report for the fiscal year ended February 28, 1941.

Earnings for the year after depreciation and Federal taxes were $1,686,308.57, which, after provision for Preferred stock dividends is equivalent to earnings of $3.18 per share of Common stock.

The following is a three year comparison which will be of interest to stockholders:

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<th></th>
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Sales for the year were $69,525,930, as compared with $63,641,412 the previous year, an increase of $5,884,518, or 9.25%. Total unit sales increased 1.24%.

Fluid Milk Department

Wholesale and retail sales of our fluid milk distributing plants increased over the previous year. While the dollar sales in this department increased 7.6%, due to increased expenses this department did not show an increase in profit over the previous year.

Ice Cream Department

The sales of ice cream increased slightly over the year before, but the net profits were less than in the previous year. Lower profits in this department were largely caused by unfavorable weather conditions in May and August. All indications at the present time are that ice cream consumption is increasing, as sales through the winter have been more than last year.

Creamery and Produce Department

Profit in the creamery butter department decreased from the previous year, due to unfavorable operating conditions. All butter sold during the year averaged 30 3/4c per pound, as against 27 3/4c per pound the previous year.

Egg sales were less than in the previous year, but operating conditions were more favorable. While this department does not contribute any large proportion of the Company's total profits, its profits were more than last year.

Other Departments

The cold storage department continues in a healthy condition. This will be the fourth consecutive year in which this department has had good earnings. The
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OTHER DEPARTMENTS

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April 4, 1941

TO THE BOARD OF DIRECTORS, Beatrice Creamery Company:

We have examined the balance sheet of the Beatrice Creamery Company and subsidiary Companies consolidated as at February 28, 1941, and the consolidated statements of profit and loss and surplus, for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies, and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We visited all branch and subsidiary company accounting offices during the course of our examination and inspected the books and records of original entry.

Cash in banks was verified by reconciliation with the amounts reported to us directly by the depositaries. Cash on hand was verified by count or by its subsequent deposit in bank accounts excepting for small change funds, which were confirmed to us by the custodians.

All customers' accounts, notes and contracts were inspected and inquiry was made as to the collectibility of the receivables. A reserve has been provided against losses that may reasonably be anticipated. A request for verification was mailed to each customer whose unpaid billing on open account, notes and contracts as at February 28, 1941, amounted to $100.00 or more, and all replies received confirmed the amounts owing excepting a few minor differences usually encountered in such procedure.

Generally accepted methods were used by the companies in taking physical inventories, and, as a test, we verified by count, the quantities of dairy products and other finished merchandise on hand and in branch and subsidiary public cold storage warehouses, representing a value of 51% of the total as at February 28, 1941. All merchandise out on consignment or in outside public cold storage warehouses was verified by letters received directly from the consignees and warehouse companies. Materials and supplies on hand were inspected and the quantities as reported to us do not appear to be in excess of normal requirements.

Investment securities were examined and there being no quoted market, they have been valued at cost or less by officers of the Company.

Only proper capital charges have been included as additions to the land, buildings and equipment accounts, and all retirements have been correctly recorded. Depreciation has been provided at the rates used during the preceding year and the amount, in our opinion, is adequate.

Statements of liabilities were requested from a representative number of trade creditors and all banks with whom the Companies' funds were deposited, and based upon the information received and the records examined, provision has been made in the consolidated balance sheet as at February 28, 1941, for all known direct and contingent liabilities as at that date.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of the Beatrice Creamery Company and Subsidiary Companies consolidated as at February 28, 1941, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. H. GREENHALGH & COMPANY
Certified Public Accountants
## BEATRICE CREAMERY COMPANY

**Consolidated Balance Sheet**

### ASSETS

#### CURRENT ASSETS:
- **Cash** .................................................. $4,803,877.49
- **Accounts receivable** .......................... $3,109,140.78
- **Notes receivable** .............................. 569,366.59
- **Equipment notes and contracts receivable** ........ 733,911.77

Less—**Provision for doubtful** .................. 438,187.31

**Total Current Assets** ......................... $11,386,298.12

#### OTHER ASSETS:
- **Investments and advances — Affiliated Companies—less reserve** ........ $127,888.45
- **Notes and accounts receivable, employees less reserve** .......... 43,803.59
- **Customers deferred receivables—less reserve** .................. 138,905.43
- **Other notes and accounts receivable—less reserve** ........... 97,446.17
- **Miscellaneous investments (at lower of cost or appraised values)** .... 116,648.42

**Total Current Assets** ......................... $11,386,298.12

#### LAND, BUILDINGS AND EQUIPMENT:
- **At cost, or less as inventoried and valued by the Company's engineers as at March 1, 1988, plus additions at cost:**
  - **Land** ............................................... $2,312,408.12
  - **Buildings** ........................................ 10,263,578.16
  - **Machinery and equipment (including cans and milk bottles)** ..... 17,614,927.20

Less reserve for depreciation ................... 17,968,427.81

**Total Land, Buildings and Equipment** ....... $12,222,485.67

#### REAL ESTATE FOR LEASE OR SALE (At cost or less) .............. $124,940.92

#### DEFERRED CHARGES:
- **Insurance unexpired, stationery, prepaid taxes, licenses, etc.** ....... 238,911.86

**TOTAL** .............................................. $24,494,128.68

**Note:** Notes receivable include notes amounting to $529,969.89 representing advances to customers by public cold storage warehouse branches and subsidiaries, secured by negotiable warehouse receipts.
ANd SUBSIDIARY COMPANIES

as at February 28, 1941

LIABILITIES

CURRENT LIABILITIES:

Accounts payable $ 570,394.88
Accrued wages 55,533.19
Provision for state and local taxes 244,940.29
Provision for social security taxes 57,681.80
Provision for Federal capital stock taxes 24,969.72
Provision for Federal income taxes 699,892.26

Total Current Liabilities $ 1,653,412.14

DEFERRED INCOME:

Storage and handling charges 54,131.07

MINORITY INTEREST IN CAPITAL AND SURPLUS OF SUBSIDIARY COMPANIES:

Preferred stock $ 2,600.00
Common stock 2,828.12

(Subsidiary company dividends on minority interest in preferred stock unpaid—$1,849.90)

NET WORTH:

Capital stock:
$5.00 cumulative preferred without par value:
Authorized—100,000 shares
Outstanding—91,317 shares—stated value $ 9,131,700.00

Common—$25.00 par value:
Authorized—750,000 shares
Outstanding—381,866 shares 9,546,650.00

Surplus:
Earned $4,000,434.26
Capital 102,373.04

$18,678,350.00

TOTAL NET WORTH $22,781,157.30

TOTAL $24,494,128.63

NOTE: There were outstanding, common stock purchase warrants entitling the holders to purchase 94,948 shares of common capital stock at $27.50 per share if exercised on or before July 1, 1941.
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
For the Year Ended February 28, 1941

NET SALES (Including storage earnings—excluding inter-company sales) $69,525,930.78

Deduct:
Cost of sales $54,101,782.24
Repairs and maintenance (including milk bottle replacements and case and can maintenance) 1,629,104.02
Advertising 607,514.94
Insurance 309,221.83
Rent 287,017.28
Taxes 826,735.40
Interest (a) 24,617.76
Other selling and delivery expense 6,081,295.26
Other administrative expense 2,491,592.48

Provision for depreciation $3,217,113.07
Other income (Dividends, rents, discounts, and interest) $2,048,321.67

Provision for Federal income taxes:
Normal income taxes $536,790.00
Excess profits taxes on subsidiaries 21,500.00

Minority interest in net profits $1,686,308.57

CONSOLIDATED NET PROFIT FOR YEAR $1,686,308.57

(a) Interest received on loans to customers by public cold storage warehouse branches and subsidiaries amounting to $34,834.57 is included in "net sales" above.

CONSOLIDATED NET PROFIT FOR YEAR $1,686,308.57

Deduct:
Dividend requirements for year on preferred capital stock of subsidiary company held by minority interests as at February 28, 1941 $182.00
Dividends paid on preferred capital stock of Beatrice Creamery Company during the year 469,460.00

BALANCE—Equivalent to profit of $3.18 per share on 381,866 shares of common capital stock of Beatrice Creamery Company outstanding as at February 28, 1941 $1,216,666.57
CONSOLIDATED STATEMENT OF SURPLUS

For the Year Ended February 28, 1941

EARNED SURPLUS—February 29, 1940. ...................... $ 3,558,102.86

Add:

Net profit for the year ended February 28, 1941. .................. $ 1,686,308.57
Portion of reserve for loss on closed bank accounts returned to surplus. .................. 13,000.00 1,699,308.57

Deduct:

Dividends paid on preferred stock. .............. $ 469,460.00
Dividends paid on common stock. ................ 762,800.75 $ 1,232,260.75
Prior years Federal income tax adjustments—net. .................. 24,716.42 1,256,977.17

EARNED SURPLUS—February 28, 1941 ........................................ $ 4,000,434.26

CAPITAL SURPLUS—February 29, 1940. ...................... $ 137,546.06

Add:

Premium on common capital stock sold. .................. 9,312.50 $ 146,858.56

Deduct:

Premium on preferred stock called and purchased for retirement. .............. $ 26,544.50
Goodwill purchased and written off. .................. 17,941.02 44,485.52

CAPITAL SURPLUS—February 28, 1941 ...................... $ 102,373.04
EARLY HISTORY

In 1886 George E. Haskell, who became founder of this Company, secured a position as bookkeeper for the Fremont Butter and Egg Company. That company handled country butter and eggs operating a branch in Beatrice, Nebraska. In about 1891 they went out of business and George E. Haskell founded the partnership of Haskell and Bosworth, acquiring the Beatrice, Nebraska, plant of the Fremont Butter and Egg Company.

In 1893 this plant experimented with the purchase of cream from farmers in the vicinity of Beatrice. In 1895 the first Beatrice Creamery Company was organized with a capital of $40,000, and the first butter was churned at Beatrice.

In 1898 the headquarters were moved to Lincoln, Nebraska, and the Beatrice Creamery Company of Nebraska was incorporated, with a capital of $100,000. This was a predecessor of the present Company.

In the first year of operation in Lincoln the Company manufactured approximately 940,000 pounds of butter. The present total butter production of the Company at all plants is now approximately 70,000,000 pounds.

The early period of the Company was ten years of struggle. In the hard times of the nineties, financing was difficult, drought made production uncertain, and prices were low. Farmers were so poor that the increase of the dairy cow population was slow, but the management of the Company was sound and had a vision of the future. Due to the untiring efforts of the early management the business continued to grow, and has gradually grown into the company as we know it today.

40 YEARS OF PROGRESS

When your business was started, farm made butter was selling for 7 cents to 10 cents a pound and eggs netted on the farm as low as 5 cents a dozen. Only a few people were employed in the operation. Even after several years the capital of the Company was only $100,000. At the time the Company began to manufacture its own butter, the cream was separated from whole milk at skimming stations, where the farmers delivered their milk daily, returning home with the skimmilk to feed their livestock. The founders of the Company soon foresaw the importance of providing farmers with cream separators to enable them to separate milk at home, thereby saving daily trips to town and making the fresh skimmilk immediately available for feeding. The Company therefore financed the purchase of hand cream separators over long periods of time and made it possible for farmers to pay for their separators from the proceeds of cream checks.

The creamery industry has been given credit for developing many communities west of the Missouri River. Due to the prosperity that was created by furnishing a ready cash market for the product of his dairy herd, many an early settler, who otherwise would have failed, was able to stay on his land.

Early in your Company's history its policy of distributing butter direct to grocery stores, restaurants and hotels with its own delivery equipment, or through appointed jobbers, afforded quick and economical distribution.

The Company engaged in other lines of business which were natural adjuncts to the dairy business. It was necessary to have refrigeration plants in the manufacture of butter, and a cold storage business was evolved from these plants. Cold storage warehouses were built where products of the Company could be
carried from seasons of plenty to seasons of scarcity, and to warehouse goods of a perishable nature for the public.

The same power and refrigeration equipment naturally functions in the interest of other departments of the Company's business. The first ice cream plant was operated by the Company in Topeka, Kansas, 1907, with other plants gradually added. The growth since 1926 has been rapid in the ice cream department, resulting today in one of the important departments in the Company's operations.

The first fluid milk plant operated by the Company was in Denver. This plant was installed in 1923. The distribution of fluid milk, cottage cheese and buttermilk has developed into a major operation.

This year we are celebrating the Fortieth Anniversary of the establishment of the Meadow Gold brand for dairy products.

Early in 1901 the Topeka, Kansas, plant employed an advertising agency to submit a list of names appropriate for a package of butter. From this list managers and employees unanimously selected the name "Meadow Gold" as the most appropriate for dairy products. On Nov. 12, 1901, the United States Patent Office granted the trademark "Meadow Gold" for butter, making "Meadow Gold" one of the first trademarked brands for butter.

This Company has always been a leader in the industry. We were one of the pioneers in packing butter in cartons. At a time when farm made butter was still being sold in grocery stores, Meadow Gold was the first to sell butter in a sealed package.

Meadow Gold was one of the first to pasteurize churning cream on a large scale operation.

Meadow Gold was the first to advertise butter in a national magazine. A copy of the first full page advertisement on butter in a national magazine appears on the following page.

We were the first to establish a nationally advertised brand of ice cream. Meadow Gold pioneered the use of aluminum foil for making caps to cover the pouring surface of milk bottles. The aluminum cap was adopted at all Meadow Gold milk plants ten years ago. Since then many cities have passed ordinances compelling the use of caps which cover the pouring surface of all milk bottles.

Meadow Gold introduced homogenized milk in 1930. Consumer acceptance has been so favorable, that sales of homogenized milk have increased steadily for several years at all of our milk plants.

Meadow Gold was one of the first to adopt quick freezing methods for ice cream, and in 1931 installed equipment to produce "Smooth-freeze" ice cream in all Meadow Gold ice cream plants.

This Company has brought out many new ideas and products. We have endeavored to be in the forefront of dairy progress and keep our business progressive and our plants up-to-date. The expansion has been large when we consider the modest beginning of the Company. While the sales for the past year of approximately $70,000,000 represent a large business, the Company's plants are located in so many different cities of various sizes that this volume of sales has been attained without attempting to dominate the markets in which sales are made.

This Company is not trying to be the largest in the business, but we are endeavoring to continue one of the best. It is the policy of the management to be alert to changes in the industry and to recognize its responsibility to the farmer, consumer and its own employees.
"Ah, There's Sweetness, Madam"

A single whiff tempts your appetite. Taste it and your favorable impressions are more than confirmed. Buying Meadow-Gold Butter is buying butter satisfaction. Sweet, pure, wholesome, delicious. There is a flavor and genuine goodness about it that you do not get in ordinary butter. Made only from pure, rich, pasteurized cream. Three times covered with air-tight, odor-proof wrappings and sent from our model creameries to your table.

Always in the Sealed Package

MEADOW GOLD BUTTER

Meadow Gold Butter was the first to be advertised in a national magazine. The illustration above is a reproduction of this first advertisement as it appeared in 1912 in the February 17th issue. Meadow Gold butter has been advertised continuously since that time.

In 1931 advertisements were placed in magazines of national circulation to promote the sale of Meadow Gold ice cream. This was the first time any brand of ice cream was established on a national basis.

Well planned advertising and merchandising account today for a good part of the success of your Company, and the establishment of Meadow Gold products today as outstanding in the dairy field.

The fact that all products carry the Meadow Gold label has been a decided advantage. It enables our customers moving from one section of the country to another, to obtain the same high quality products they have previously used. From Montana in the Northwest, to New York in the East and Oklahoma in the South, the same high standards are maintained.
Meadow Gold butter is now in its 40th year as an advertised brand. “Holland” butter in the East and Middle West, and “Blue Valley” butter throughout the Middle West have been well known for over thirty years.

Meadow Gold milk, cream, cottage cheese and homogenized milk are the products of strict supervision, and represent the efforts of this Company to give its customers the best possible milk products.

Meadow Gold salad dressing, french dressing and mayonnaise, have been made specifically to the requirements consistent with the Meadow Gold label.

Meadow Gold cheese in a variety of flavors, and Meadow Gold Smoozette are among the finest cheese products made today.

The newest addition to the Meadow Gold line is Chox. This is an instant hot chocolate drink, made in one of our own milk plants under the most careful supervision. It is made from real chocolate and whole milk and from the standpoint of ingredients, is far superior to most all products of this nature on the market today. Its acceptance by the public has been remarkable and has proved to the Company that it is highly satisfactory. Sales are increasing rapidly and in the future should produce a good volume.

We sincerely believe that no finer assortment of dairy products has ever been sold than those now bearing the name “Meadow Gold.”
DIRECTORS

Thomas S. Allen .......................... Clinton H. Haskell
H. Brown Cannon ........................ Clyde T. Hays
Paul W. Cleveland ........................ Charles S. Hutchinson
Omer N. Custer .......................... John H. Lambrecht
Ernest H. Daniel .......................... John T. McGreer
Nelson A. Emmertz ........................ Louis Nielson

OFFICERS

Clinton H. Haskell ........................ President
Louis Nielson .............................. Vice President
John T. McGreer ............................ Vice President and General Manager
Frederick A. Jorgensen ........................ Vice President
Charles S. Hutchinson ........................ Vice President
Clyde T. Hays ............................ Secretary and Treasurer

REGISTRARS OF STOCK

The Chase National Bank of the City of New York
New York

City National Bank and Trust Company of Chicago
Chicago

STOCK TRANSFER AGENTS

Guaranty Trust Company of New York
New York

Continental Illinois National Bank and Trust Company of Chicago
Chicago