NATIONAL FOOD PRODUCT CORPORATION

REPORT TO THE STOCKHOLDERS

YEAR ENDED
DECEMBER 31, 1933
NATIONAL FOOD PRODUCTS CORPORATION

DIRECTORS

RALPH P. BUELL
PERCY M. CHANDLER
EDWARD K. DUNN

JOHN M. FOSTER
HUNTER C. PHELAN
RUSSELL B. STEARNS

GEORGE F. TROMMER

OFFICERS

P. M. CHANDLER..................................................Chairman, Board of Directors
H. C. PHELAN........................................................President
R. LEONARD.......................................................Vice-President
H. WILLIAMS, JR....................................................Secretary and Treasurer
JOSEPH SEITZ....................................................Assistant Secretary and Assistant Treasurer

TRANSFER AGENT
Empire Trust Company
New York City

REGISTRAR
Trust Company of North America
New York City

(1)
March 29th, 1934.

To Stockholders
National Food Products Corporation:

Herewith is submitted the Annual Report of your Corporation for the fiscal year ended December 31st, 1933, a statement of the Income Account for that period and the Balance Sheet and Surplus Account as at December 31st, 1933, together with the Auditors' Certificate.

EARNINGS: The Income Account for the year ended December 31st, 1933 shows a net profit, after all expenses (exclusive of additional Bond Adjustment Plan expense charged directly to Surplus) including full interest rate upon all bonds outstanding (although actual cash payments upon the deposited bonds were made in accordance with the terms of the Adjustment Agreement) of $27,980 compared with a net loss of $111,881 for the preceding year, on the same basis.

BALANCE SHEET: No important changes in the balance sheet of your Corporation have occurred during the year. Bonds subject to the Adjustment Agreement dated August 1st, 1932 have been increased from $1,759,000 as at December 31st, 1932 to $1,888,000 by additional deposits thereunder. The total of such bonds now subject to the said Agreement is approximately 96% of the net amount of the bonds outstanding. As of August 1st, 1933 the right of deposit under this Agreement was withdrawn.

BOND SINKING FUND: $50,000 principal amount of bonds have been delivered to the Trustee, for cancellation, on account of sinking fund payments due May 1st and November 1st, 1933. This delivery was made from Bonds heretofore acquired and held in escrow under the Adjustment Agreement to meet Sinking Fund requirements and did not affect the net amount of bonds outstanding in the hands of the public.

INVESTMENT ACCOUNT: Investments remain unchanged from December 31st, 1932 and are proportioned according to cost, approximately as follows:

<table>
<thead>
<tr>
<th>Percent of National Food Products Corp's Total Investment Account</th>
<th>Percent Ownership of Each Individual Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. C. Bohack Co., Inc., Common...........................................</td>
<td>23.98%</td>
</tr>
<tr>
<td>D. Pender Grocery Co., Class &quot;B&quot; Common..............................</td>
<td>21.84</td>
</tr>
<tr>
<td>Southern Grocery Stores, Inc., Class &quot;A&quot; .............................</td>
<td>18.81</td>
</tr>
<tr>
<td>Southern Grocery Stores, Inc., Common..................................</td>
<td>30.06</td>
</tr>
<tr>
<td>Miscellaneous..............................................................</td>
<td>5.01</td>
</tr>
</tbody>
</table>

For the information of the Stockholders, the following condensed statements of operations are submitted for the year 1933 of the three companies in which the major investments of your Corporation are held. Upon request of any stockholder a copy of the annual report of each of these companies will be forwarded.

H. C. BOHACK CO., INC.

_Fiscal Year Ended_
Jan. 31, 1934 Jan. 31, 1933

Sales.................................................. $80,163,368. $83,059,934.
Consolidated Net Earnings available for dividends............... 212,648. 604,651.
The management of the Bohack Company states that reduced profits resulted from three major causes, namely, a wage increase of $240,000 during the last seven months' operations due to the adoption of the Code governing retail food distribution; an increase in taxes of $100,000 mostly due to the absorption since May 1st, 1933 of the New York State Sales Tax on other than food products and the Federal Processing Tax on the supply of flour, corn, wheat and cotton products on hand in July, 1933 when this tax became effective; and further declining prices for meat products which constitute one-third of the Company's business. Current reports indicate a perceptible improvement in sales volume, which if continued should result in the resumption of more normal earnings.

Dividends were declared on the three classes of the Company's Capital Stock regularly during the year until November 15th, 1933. Subsequent to that date all dividends have been passed.

Dividends to the extent of $29,562.50 were received during the year on your Corporation's investment in this Company.

<table>
<thead>
<tr>
<th>D. PENDER GROCERY CO.</th>
<th>---Fiscal Year Ended---</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales..................</td>
<td>$11,840,876.00</td>
</tr>
<tr>
<td>Current Assets:........</td>
<td>11,564,721.00</td>
</tr>
<tr>
<td>Cash on Hand...........</td>
<td>180,053.00</td>
</tr>
<tr>
<td>Other Current Assets..</td>
<td>1,594,721.00</td>
</tr>
<tr>
<td>Total Current Assets..</td>
<td>1,775,356.00</td>
</tr>
<tr>
<td>Current Liabilities...</td>
<td>474,039.00</td>
</tr>
<tr>
<td>Working Capital........</td>
<td>$1,301,317.00</td>
</tr>
</tbody>
</table>

Both sales and earnings of the D. Pender Grocery Co. show a substantial improvement over the preceding year. Sales have been stimulated through higher prices for cotton and tobacco, and by increased activity throughout the textile industry. Prospects for the current year, in the opinion of the management of the Pender Company, are favorable.

No dividends were received during the year on your Corporation's investment in this Company.

<table>
<thead>
<tr>
<th>SOUTHERN GROCERY STORES, INC.</th>
<th>---Fiscal Year Ended---</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales..................</td>
<td>$13,057,660.00</td>
</tr>
<tr>
<td>Current Assets:........</td>
<td>1,470,393.00</td>
</tr>
<tr>
<td>Cash on Hand...........</td>
<td>150,053.00</td>
</tr>
<tr>
<td>Other Current Assets..</td>
<td>1,311,393.00</td>
</tr>
<tr>
<td>Total Current Assets..</td>
<td>1,621,246.00</td>
</tr>
<tr>
<td>Current Liabilities...</td>
<td>283,575.00</td>
</tr>
<tr>
<td>Working Capital........</td>
<td>$1,337,671.00</td>
</tr>
</tbody>
</table>

Sales and earnings of Southern Grocery Stores, Inc. have improved due to the same influences affecting the Pender Company, their territories being in most respects similar. Outlook for the coming year, in the opinion of the management of the Southern Company, continues to be satisfactory.

Dividends to the extent of $159,000 were received during the year on your Corporation's investment in this Company, no dividends having been received in 1932.

Respectfully submitted,

HUNTER C. PHELAN,
President
NATIONAL FOOD PRO
BALANCE
As at December 31, 1933

Assets

Investments (Pledged as security for Collateral Trust Bonds and Note Payable):

Subsidiary and Controlled Companies—at cost (value based on appraisal by American Appraisal Co. as at April 1, 1933—$3,431,766.00)........................................................................................................ $3,775,083.02

Other Companies—at cost (estimated market value $283,315.00) .................................................. 1,541,949.03

Total (Pledged, per contra) .................................................................................................................. $5,317,032.05

Cash in Banks and On Hand.................................................................................................................. 73,430.13

Restricted Bank Balance ..................................................................................................................... 10,917.47

Notes Receivable, less reserve of $84,984.67 (secured by 1,073 shares of Class “A” and 10,742 shares of Class “B” Stock of National Food Products Corporation) ........................................... 6,444.00

Deferred Charges:

Remaining balance of Interest to May 1, 1935 prepaid by delivery of 3% Coupon Notes on $1,888,000 Collateral Trust Bonds deposited and subject to Adjustment Agreement........................................ $75,520.00

Life Insurance Premiums, Taxes and Interest Prepaid ..................................................................... 5,329.80

.......................................................................................................................................................... 80,849.80

.......................................................................................................................................................... $5,488,673.45
PRODUCTS CORPORATION

STATE SHEET

November 31, 1933

LIABILITIES

Note Payable (Securities of a market value of $3,750.00 pledged as Collateral, endorsed by Subsidiary Company) .................................................. $30,000.00
Accounts Payable and Sundry Accruals ................................................................. 4,486.93
Bond Adjustment Plan Expense (Payable in Preferred Stock at option of Corporation) .................................................................................. 18,880.00
Accrued Interest on Collateral Trust Bonds and 3% Coupon Notes Fifteen Year Collateral Trust 6% Sinking Fund Convertible Gold Bonds, Series “A” due May 1, 1944 (Securities of an appraised and/or market value of $3,711,331.00 pledged as collateral) $2,300,000.00
Less Treasury Bonds held in escrow for future Sinking Fund requirements—at par.......................... 212,000.00 2,088,000.00
(At December 31, 1933, $1,888,000.00 of bonds were deposited and are subject to Adjustment Agreement dated August 1, 1932 modifying interest payments at 2% per annum to May 1, 1933; 3% per annum to May 1, 1935; and 6% thereafter.)
Gold Coupon Notes, 3%—due May 1, 1937 ................................................................ 188,800.00
Capital Stock:
$7.00 Preferred Stock without par value:
Authorized, 5,000 shares.
Outstanding, none
Class “A” Stock—$1.00 par value (entitled in involuntary liquidation to $35.00 per share and redeemable at $50.00 per share):
Original Issue (cumulative dividends of $2.50 per annum unpaid since February 14, 1930):
Authorized and Issued, 75,000 shares 75,000.00
Series of 1932 (cumulative dividends of $2.50 per annum unpaid since November 30, 1932):
Authorized, 37,500 shares.
Issued and Outstanding, 34,288 shares 34,288.00
Class “B” Stock—50 cents par value:
Authorized, 1,000,000 shares.
Issued and Outstanding, 337,815.48 shares.... 168,907.74 278,195.74
(353,527 shares reserved for outstanding Warrants and 139,200 shares reserved for conversion of bonds)
Capital Surplus ........................................................................................................ 2,842,114.77
Earned Surplus from January 1, 1933 ....... 22,980.01 2,865,094.78
Contingent Liability as guarantor of obligation of a former subsidiary company, $167,000.00 (secured by guarantee from Purchasing Company).  

$5,488,673.45
NATIONAL FOOD PRODUCTS CORPORATION

SURPLUS ACCOUNT

For the Year ended December 31, 1933

Capital Surplus as at December 31, 1932 ........................................ $2,858,141.48

Deduct:

Capital Stock issued subsequent to December 31,
1932 under Bond Adjustment Agreement at par
—2,064 shares of Class “A” Stock, par value
$1.00 per share, 6,450 shares of Class “B” Stock,
par value 50c. per share ........................................ $ 5,289.00

Bond Adjustment Plan Expenses paid subsequent
to December 31, 1932 and charged against capital
surplus pursuant to resolution of stockholders dated February 14, 1933 .............. 10,737.71

Total ........................................ 16,026.71

Capital Surplus as at December 31, 1933 ........................................ $2,842,114.77

Earned Surplus from January 1, 1933:

Net Income per year ended December 31, 1933 ........................................ 22,980.01

Total Capital and Earned Surplus as at December 31, 1933 .............. $2,865,094.78
NATIONAL FOOD PRODUCTS CORPORATION

INCOME ACCOUNT

For the Year ended December 31, 1933

Income:

Dividends on Investments

60,000 shares Southern Grocery Stores, Inc.
   Class "A" ........................................................... $159,000.00
21,500 shares H. C. Bohack Co., Inc. .................. 29,562.50

$188,562.50

Deduct:

Premiums on Life Insurance .................................................. 13,716.93
Salaries, Taxes, Transfer Agency Fees and Other Expenses ......... 13,468.35
Compensation and Expenses of Protective Committee for 6%
   Collateral Trust Bonds ............................................ 5,394.74

$32,580.02

Net Income before Interest ........................................... $155,982.48

Interest on 6% Collateral Trust Bonds .................. $125,280.00
Interest on 3% Coupon Notes .......................... 5,922.00
Other Interest (Net) ............................................. 1,800.47

133,002.47

Net Income .......................................................... $22,980.01
To the Board of Directors,

National Food Products Corporation,
New York, N.Y.

We have made an examination of the Balance Sheet of National Food Products Corporation as at December 31, 1933, and of the Profit and Loss and Surplus Accounts for the year 1933. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

The securities representing the investments were confirmed by inspection or by acknowledgment from the holders; they are carried at cost which was in excess of their appraised or market values as indicated on the Balance Sheet.

In our opinion, based upon such examination and subject to the foregoing, the accompanying Balance Sheet and related Profit and Loss and Surplus Accounts fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at December 31, 1933, and the results of its operations for the year.

Peat, Marwick, Mitchell & Co.

New York, N.Y.,
March 22, 1934.