NATIONAL FOOD PRODUCTS CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDING
DECEMBER 31, 1939

This report and the financial statements contained herein are submitted for the general information of the stockholders of the company as such, and are not intended as an offer to sell, or a solicitation of an offer to buy any of the securities of any of the companies mentioned herein.
NATIONAL FOOD PRODUCTS CORPORATION
24 FEDERAL STREET
BOSTON, MASSACHUSETTS

OFFICERS
Russell B. Stearns ..................... President
E. K. Dunn .............................. Vice-President
Robert Leonard ....................... Vice-President
Harry Williams, Jr. ................... Secretary and Treasurer
Joseph Seitz ........................... Assistant Secretary and Assistant Treasurer

DIRECTORS
P. M. Chandler .......................... G. F. Herbert
E. K. Dunn .............................. H. C. Phelan
J. M. Foster ............................ Russell B. Stearns

C. T. Williams, Jr.

AUDITORS
Peat, Marwick, Mitchell & Co.

TRANSFER AGENT
BALTIMORE NATIONAL BANK
BALTIMORE, MD.
To the Stockholders:

Submitted herewith is the annual report of your Corporation for the year 1939.

Except for the acquisition of 250 shares of the Common Stock of Southern Grocery Stores, Inc., at a cost of $904.00, there have been no changes in the investment portfolio, as the Board of Directors determined, upon reconsideration, not to purchase the shares of Class “A” Stock of the David Pender Grocery Company as stated in the 1938 annual report.

Through the application of the cash sum of $67,722.76 (representing $11,770.87 Sinking Fund requirement for the year 1938 and the balance pursuant to Court Order), 7,422 shares of the Class “A” Stock of the Corporation were purchased and cancelled during the year at an average price of approximately $9.13 per share. The difference between this average cost and the par value ($20.00) of the Class “A” shares retired was $80,717.24, which amount has been credited to the Capital Surplus of the Corporation.

The income of the Corporation for the year consisted entirely of dividends from its investments in its two controlled companies, Southern Grocery Stores, Inc., and David Pender Grocery Company, which income was less than 50% of the earnings applicable to your corporation’s investments in these two companies.

Net Income after allowing for $14,091.29 operating expenses and estimated Federal Income Taxes of $2,546.56 amounted to $100,026.15. This net income was equivalent to $1.73 for each share of the Class “A” outstanding at the close of the year. After deducting the annual dividend requirements on the Class “A” Stock ($57,577) the remaining balance of net income, $42,449.15, was equal to 65¢ for each share of the Class “B” Stock outstanding at the close of the year. Dividends were paid during the year aggregating $1.00 per share on the Class “A” Stock.

There has been set aside out of 1939 earnings and net proceeds from disposition of Capital Assets the amount of $34,200.16 determined by the auditors of the Corporation as the amount to be applied to the retirement of Class “A” Stock, in accordance with the provisions thereof.

The following comparative financial data with respect to the two subsidiary and controlled companies was prepared from their respective annual reports:
### SOUTHERN GROCERY STORES, INC.

**Year Ended**

<table>
<thead>
<tr>
<th></th>
<th>Dec. 31, 1939</th>
<th>Dec. 31, 1938</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales (Net)</strong></td>
<td>$19,280,992</td>
<td>$17,072,469</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>275,577†</td>
<td>212,651*</td>
</tr>
</tbody>
</table>

**Current Assets:**

- Cash in bank and on hand: 333,571
- Inventories: 1,567,960
- Other Current Assets: 50,371

**Total:** 1,951,902

**Current Liabilities:**

- Real Estate Mortgage Notes: 21,000
- Accounts Payable and Accrued Expenses: 376,354
- Provision for Federal and State Taxes: 77,621
- Accrued provision for dividends—Preferred and Participating Stock: 50,322

**Total:** 504,297

**Net Working Capital:** $1,447,605

**Net Assets Per Balance Sheet:** $2,548,957

†Before loss on settlement of claims, arising in prior years, of $22,192.44, charged to Earned Surplus.

*Before losses on disposals of fixtures in respect of stores closed during the year 1938 aggregating $5,816.24, which were charged directly to Earned Surplus Account.

Regular semi-annual dividends of 60¢ per share on the Company’s Preferred and Participating Stock were paid during the year, and in addition a participating dividend of 31¢ per share out of 1938 earnings was paid. A dividend of $1.20 per share on the Common Stock was paid on October 31, 1939.

### DAVID PENDER GROCERY COMPANY

**Year Ended**

<table>
<thead>
<tr>
<th></th>
<th>Dec. 31, 1939</th>
<th>Dec. 31, 1938</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales (Net)</strong></td>
<td>$20,798,764</td>
<td>$17,930,956</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>290,418</td>
<td>224,557*</td>
</tr>
</tbody>
</table>

**Current Assets:**

- Cash in bank and on hand: $292,466
- Inventories: 1,976,521
- Other Current Assets: 113,356

**Total:** 2,382,343

**Current Liabilities:**

- Bank loan: 100,000
- Accounts Payable and Accrued Expenses: 842,600
- Provision for Federal and State Taxes: 103,600
- Accrued Dividends—Class “A” Stock: 8,164

**Total:** 1,054,364

**Net Working Capital:** $1,327,979

**Net Assets Per Balance Sheet:** $2,483,050

*Before losses on disposals and write-downs of store fixtures in 1938, aggregating $40,751.48, which was charged directly to Surplus Account.
DAVID PENDER GROCERY COMPANY (Continued)

Regular quarterly dividends of $87\frac{1}{2}$ per share on the Company’s Class “A” Stock and a dividend of $1.00 per share on the Class “B” Stock were paid during the year.

A copy of each of the annual reports of the Southern Grocery Stores, Inc., and the David Pender Grocery Company will, upon request, be mailed to any stockholder of the Corporation who may be interested in further information concerning the activities of these Companies.

H. C. BOHACK CO., INC.

The fiscal year of the H. C. Bohack Co., Inc., ended on January 31, 1940, but at the time of writing this report its annual report is not yet available.

Current operating reports indicate that the sales volume for the current fiscal year was $23,841,802 as compared with $22,765,950 in the previous fiscal year, and for the first time since the year 1934 the Company will show a small operating profit. While this improvement is encouraging, it is not expected—because of the large accumulations on the company’s preferred stocks—that any dividends on the common stock will be paid within a predictable period.

The financial statements included in this report are as follows:
Income Account for the year 1939.
Balance Sheet as at December 31, 1939.
Surplus Accounts for the year 1939.
Auditors’ Certificate.

Respectfully submitted,
By Order of the Board of Directors,
RUSSELL B. STEARNS,
President.
INCOME ACCOUNT
For the Year ended December 31, 1939

INCOME:
Dividends from Subsidiary and Controlled Companies (see Note):
Southern Grocery Stores, Inc.:
    Preferred and Participating Stock........................................ $ 11,778.00
    Common Stock......................................................................... 61,500.00
David Pender Grocery Company—Class “B” Stock.......................... 43,380.00

EXPENSES:
Salaries.................................................................................. $ 5,060.00
Legal and Audit Fees............................................................... 2,114.21
Transfer Agency Fees............................................................... 1,516.21
Compensation and Expense of Voting Trustees.......................... 1,596.75
Directors’ Fees and Expenses................................................... 707.87
Taxes (other than Federal income tax)............................................. 847.60
General Expenses...................................................................... 2,248.65

Net Income before Federal Income Tax........................................ 102,566.71
Provision for Federal Income Tax................................................ 2,540.56

NET INCOME........................................................................... $100,026.15

NOTE: The following is a comparison of the Dividends from Subsidiary and Controlled Companies received in 1939 with the Corporation’s equity in the net income of the respective companies for the year:

<table>
<thead>
<tr>
<th>Corporation’s Equity in Net Income</th>
<th>Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern Grocery Stores, Inc.:</td>
<td></td>
</tr>
<tr>
<td>Preferred and Participating Stock</td>
<td>$ 11,778.00</td>
</tr>
<tr>
<td>Common Stock</td>
<td>61,500.00</td>
</tr>
<tr>
<td>Total</td>
<td>$ 73,278.00</td>
</tr>
<tr>
<td>David Pender Grocery Company:</td>
<td></td>
</tr>
<tr>
<td>Class “B” Stock</td>
<td>43,380.00</td>
</tr>
<tr>
<td>Total</td>
<td>$116,658.00</td>
</tr>
</tbody>
</table>

[ 5 ]
BALANCE SHEET  
As at December 31, 1939

**ASSETS**

**INVESTMENTS:**

- **Subsidiary and Controlled Companies:**
  - 7,800 shares Preferred and Participating Stock and
  - 51,250 shares Common Stock of Southern Grocery Stores, Inc.  
  - 43,380 shares Class “B” Stock of David Pender Grocery Company.
  - Total: $2,905,987.02

- **Other Investments:**
  - 21,500 shares of H. C. Bohack Company, Inc.  
  - Sundry Securities  
  - Total: 1,275,180.61

“LESS Reserve”

- Total Investments (see Note 1): $4,236,952.63

- Cash in Banks and on Hand: 127,895.19

- Certificates of Indebtedness of Baltimore Trust Company, less Reserve $5,965.99: 1.00

- Notes Receivable, less Reserve of $75,798.34 to reduce to stated value ($1.00 per share) of 565-10/30 shares of National Food Products Corporation Class “B” Stock held as collateral therefor: 565.33

Note 1: This amount does not purport to be the market or realizable value of such investments, but represents cost to the Corporation in cash and capital stock, less a reserve of $2,500,000.00 established by the Board of Directors on December 7, 1938.
### BALANCE SHEET
**As at December 31, 1939**

### LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>$3,819.39</td>
</tr>
<tr>
<td>Reserve for Federal Income Tax</td>
<td>2,540.56</td>
</tr>
<tr>
<td>Liability for Retirement of Class “A” Stock through Sinking Fund (see Note 2)</td>
<td>34,206.37</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>40,566.32</strong></td>
</tr>
</tbody>
</table>

### CAPITAL STOCK:

**CLASS “A” STOCK 5% CUMULATIVE—$20.00 par value (redeemable at and having a preference in liquidation of $20.00 per share plus accrued dividends—Dividends paid to November 1, 1939):**

- Authorized, 65,000 shares
- Issued or Issuable under Plan of Reorganization: 64,999 shares
- Less Retired: 7,422 shares
- **Total Authorized and Issued:** 57,577 shares

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>64,999</td>
<td>$1,299,980.00</td>
</tr>
<tr>
<td>7,422</td>
<td>148,440.00</td>
</tr>
<tr>
<td><strong>Total Class “A” Stock</strong></td>
<td><strong>$1,151,540.00</strong></td>
</tr>
</tbody>
</table>

**CLASS “B” STOCK—$1.00 par value:**

- Authorized, 65,000 shares
- Issued or Issuable under Plan of Reorganization, 64,858-4/30 shares

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>64,858.13</td>
<td>1,216,398.13</td>
</tr>
</tbody>
</table>

### SURPLUS:

- Capital Surplus: 550,499.57
- Earned Surplus from December 8, 1938: 92,156.50
- **Total Surplus:** 642,656.07

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>608,449.70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Note 2:** Upon purchase of Class “A” Stock as provided, the surplus appropriated for retirement thereof will be released.
**SURPLUS ACCOUNTS**

*For the Year ended December 31, 1939*

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**EARNED SURPLUS FROM DECEMBER 8, 1938**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earned Surplus as at December 31, 1938</td>
<td>$20,911.35</td>
</tr>
<tr>
<td>Net Income for the year ended December 31, 1939</td>
<td>100,026.15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120,937.50</strong></td>
</tr>
<tr>
<td>Deduct Dividend on Class “A” Stock—50 cents per share paid November 1, 1939</td>
<td>28,781.00</td>
</tr>
<tr>
<td><strong>(Additional 50 cents per share paid from proceeds of life insurance charged to Capital Surplus)</strong></td>
<td></td>
</tr>
<tr>
<td>Earned Surplus as at December 31, 1939</td>
<td>$92,156.50</td>
</tr>
</tbody>
</table>

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**CAPITAL SURPLUS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Surplus as at December 31, 1938</td>
<td>$499,667.08</td>
</tr>
<tr>
<td><strong>Add:</strong></td>
<td></td>
</tr>
<tr>
<td>Excess of Par Value ($148,440.00) of 7,422 shares Class “A” Stock, retired through Sinking Fund and pursuant to Court Order, over the cost ($67,722.76) of such shares</td>
<td>$80,717.24</td>
</tr>
<tr>
<td>Receipt of 5% distribution on Certificates of Indebtedness of Baltimore Trust Company carried on books at nominal amount</td>
<td>542.46</td>
</tr>
<tr>
<td>Dividends received in respect of life insurance policies cancelled prior to reorganization</td>
<td>245.59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>81,505.29</td>
</tr>
<tr>
<td><strong>Deduct:</strong></td>
<td></td>
</tr>
<tr>
<td>Additional expenses incidental to reorganization</td>
<td>1,892.30</td>
</tr>
<tr>
<td>Dividend on Class “A” Stock—50 cents per share paid May 1, 1939 from proceeds of life insurance received prior to reorganization</td>
<td>28,780.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,672.80</td>
</tr>
<tr>
<td>Capital Surplus as at December 31, 1939</td>
<td>$550,499.57</td>
</tr>
</tbody>
</table>
ACCOUNTANTS' REPORT

To the Board of Directors,

NATIONAL FOOD PRODUCTS CORPORATION,
Boston, Mass.

We have examined the Balance Sheet of National Food Products Corporation as at December 31, 1939, and the Income and Surplus Accounts for the year then ended, have reviewed the accounting procedures of the Corporation, and have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying Balance Sheet and related Income and Surplus Accounts present fairly the position of National Food Products Corporation at December 31, 1939 and the results of the operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N.Y.,
February 15, 1940.

PEAT, MARWICK, MITCHELL & CO.