FOURTEENTH ANNUAL REPORT

JUNE 30, 1945

United States Sugar Corporation

CHARLES STEWART MOTT
Honorary Chairman of the Corporation

OFFICERS

Clarence R. Bitting .................................. President
Jay W. Moran .................................. Executive Vice-President
William T. Bitting .................................. Secretary
Malcolm W. Bigg .................................. Treasurer
Dr. B. A. Bourne .................................. Vice-President, Research
F. E. Bryant .................................. Vice-President, Eastern Fields
R. Y. Patterson .................................. Vice-President, Engineering
W. C. Prewitt .................................. Vice-President, Western Fields
H. T. Vaughn .................................. Vice-President, Sugar-house
O. A. Jones .................. Assistant Secretary and Assistant Treasurer
Josiah Ferris, Jr .................. Assistant Secretary
Fred C. Sikes ........................ Assistant Secretary

Bitting, Incorporated
Supervisory Managers
BOARD OF DIRECTORS

ROBERT W. ATKINS
MALCOLM W. BIGG*
CLARENCE R. BITTING*
WILLIAM T. BITTING*
ROY E. BROWNELL*
PATRICK BUTLER
J. DOUGLAS CASEY*

JOHN G. GETZ, JR.
HAMISH MITCHELL
JAY W. MORAN*
CHARLES STEWART MOTT*
JOSEPH D. MURPHY*
THOMAS OXNARD
N. F. S. RUSSELL*

FOREST P. TRALLES

*Member of Executive Committee.

(Mr. C. S. Harding Mott is on leave of absence with the armed forces.)

TRANSFER AGENTS

Preferred Stock $5, No Par
LAWYERS TRUST COMPANY,
New York, N. Y.
EQUITABLE TRUST COMPANY,
Wilmington, Del.

Series A 6.4% Preferred & Common Stock
CHEMICAL BANK & TRUST COMPANY,
New York, N. Y.
EQUITABLE TRUST COMPANY,
Wilmington, Del.

REGISTRARS

BANKERS TRUST COMPANY,
New York, N. Y.
The Corporation Trust Company,
Wilmington, Del.
To the Stockholders:

During its fourteenth harvest your Corporation ground 694,479 tons of administration cane and 31,915 tons of purchased cane, producing 63,473 tons of 96° raw sugar and 5,119,000 gallons of blackstrap. Increased operating costs, occasioned by factors and conditions beyond the control of the Corporation, coupled with ceiling prices which have remained substantially unchanged since 1941, have adversely affected operating results. Financial statements and accompanying certificate of independent auditors are appended.

Temperatures as low as 26° were experienced during the recent harvest; the effects thereof reduced the cane crop by upwards of 85,000 tons and reduced the sugar content of cane harvested and ground by more than 9,000 tons; all costs in connection therewith, including amortization of cane plantings and cultivation thereof, have been included in cost of sales and, accordingly, no reserve for growing crops to offset possible future catastrophic losses was carried forward at year-end. Average rainfall of only 40 inches was recorded during the agricultural cycle of harvest and preceding growing season. This average rainfall compares with an average of 43 inches per cycle for the two preceding cycles, and an average of 56 inches per cycle during the decade preceding the three years. Lack of rainfall in recent years, and uncontrolled runoff of the available water supplies, have resulted in a lowering of the Lake level, a more or less drying out of the organic soils of the general region, numerous serious soil fires, and the concomitant effects on temperatures. These deleterious conditions affect not only the resources of the Corporation, but also the economy of the entire Florida peninsula.
During the year under review the Corporation received an "incentive payment" at the rate of 85 cents per ton of cane on a portion of the 1944-45 crop in the amount of $189,145. During August 1944 announcement was made of an incentive payment equal to $1.60 per ton of standard cane for 1945-46 crop-year, subject to reduction equal to growers' proportion of any subsequent increase in price. During August 1945 an incentive payment equal to $2.10 per ton of standard cane was announced for the 1946-47 crop with like conditions; during the same month a compensatory payment of 15 cents per hundred pounds raw sugar to "sugar-cane processors" was announced with like provision relative to subsequent increase in price. Through the use of "incentive payments" from the public treasury the government has endeavored to reimburse domestic sugar producers for excess costs beyond the control of the producer, which the producer has been and is prohibited from recouping through increases in selling price. Such excess costs, beyond control of the producer, which are not permitted to be reflected in market price and which have not been reimbursed, have cost your Corporation upwards of $4,000,000 during the past three years. Despite the fact that sugar is an essential food in short supply and selling at depressed prices, which today in the United States are substantially below the prewar prices in many European countries, price relief has not been accorded producers for the American market. If the Nation is to obtain adequate supplies of sugar, the higher costs of efficient production must be reflected in the market price of this essential commodity.

Delays in obtaining deliveries of essential machinery and equipment and the shortage of necessary skilled labor for installation have postponed commercial operation of starch-producing facilities beyond the end of the fiscal year. Difficulties experienced in obtaining equipment for decortication and degumming of ramie have interfered with progress of such joint project. Ohio Oil Company has completed the field exploratory work undertaken during the past year, and has made payments to continue its oil, gas and sulphur lease until June 15, 1946.

Financing of the program for expansion and diversification had not been consummated by end of fiscal year. Since then indebtedness to principal stockholder of $1,250,000 plus interest thereon has been satisfied by issuance of 14,097 shares of $5 Dividend Preferred Stock without par value. A mortgage and collateral loan from Reconstruction Finance Corporation in the amount of $7,500,000 with 50% participa-
tion by twelve banks has been consummated, the proceeds thereof being used to reimburse working capital and to provide funds in connection with program for expansion and diversification. Such loan is payable $750,000 on or before June 1, 1946; $1,675,000 on or before June 1, 1947; $1,675,000 on or before June 1, 1948; $1,675,000 on or before June 1, 1949; and $1,725,000 on or before June 1, 1950, with provision for annual sinking fund applicable to the longest maturity equal to the greater of either the amount by which 50% of net earnings before depreciation but after Federal income and related taxes, or the amount by which allowance for depreciation or special amortization of facilities, exceeds the principal amount of indebtedness due and payable within a fiscal year. Among the restrictive clauses are, limitation upon the amount which may be expended in any fiscal year for additions, betterments, renewals and replacements; maintenance of working capital position; limitations on loans, borrowings and indebtedness; and requirement for approval by Reconstruction Finance Corporation of any dividend declaration.

The Corporation is engaged in agricultural pursuits and, therefore, is subject to all the hazards of agriculture, both known and unknown, in the territory in which its operations are conducted. The properties of the Corporation have experienced, and have been damaged by, tropical disturbances, cloudbursts, drought, and subnormal temperatures and may be so visited in the future; they may also experience other unusual and at present unforeseen disturbances and catastrophes, the extent of any future damage being impossible of estimation. Existing and future world conditions may likewise affect the Corporation. The business, operating conditions and financial results will also be affected by variations in prices, costs, future economic conditions, the Nation’s policies relative to foreign countries, tariffs, international trade, taxation, etc.

Attention of holders of Series A Preferred Stock is directed to the fact that such stock is convertible, at option of the holder, into 3½ shares of Common Stock prior to conversion of a total of 50,001 shares, or prior to January 1, 1946, whichever shall be sooner, with such conversion rate changing in accordance with the provisions of such Series A Preferred Stock. To the close of business August 31, 1945, an aggregate of 425 shares Series A Preferred Stock had been converted into Common Stock.
The Annual Meeting of the Stockholders is scheduled to be held in accordance with the By-Laws at 12 o'clock noon on October 16, 1945, at 100 West Tenth Street, Wilmington, Delaware. The terms of five directors, Messrs. Bigg, C. R. Bitting, W. T. Bitting, Butler, and Mott, expire at that time. Among the items of business to be transacted at the annual meeting, will be receiving of, and acting upon, the ANNUAL REPORT (of which this is a copy) and the election of directors in accordance with the By-Laws of the Corporation. The Board of Directors has adopted amendments to Article II, Section 10 and Article V, Section 5 of the By-Laws of the Corporation which amendments will be submitted to the Annual Meeting for ratification by stockholders. The Board of Directors has fixed September 18, 1945, as the record date for the determination of holders of Common Stock and Series A Preferred Stock entitled to notice of and to vote at the annual meeting. Formal notice of the annual meeting will be mailed to all holders of voting stock.

The personnel of the operating organization, despite adverse and trying times, has rendered loyal and efficient service, often assuming additional burdens due to wartime depletion of the staff, and the Board of Directors desires to bring such fact to the attention of all stockholders.

By order of the Board of Directors.

[Signature]
President.
UNITED STATES SUGAR CORPORATION

BALANCE SHEET
STATEMENT OF PROFIT AND LOSS
STATEMENT OF SURPLUS
CONSOLIDATED BALANCE SHEET
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
CONSOLIDATED STATEMENT OF SURPLUS
NOTES TO FINANCIAL STATEMENTS
REPORT OF INDEPENDENT AUDITORS

JUNE 30, 1945
## ASSETS

### WORKING ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$308,603</td>
</tr>
<tr>
<td>Accounts receivable:</td>
<td></td>
</tr>
<tr>
<td>Benefit payments under Sugar Act of 1937</td>
<td>$524,903</td>
</tr>
<tr>
<td>Trade ($31,399) and miscellaneous current accounts ($19,211)</td>
<td>50,610</td>
</tr>
<tr>
<td>Accounts of Drainage Districts, after reserve of $10,000</td>
<td>25,406</td>
</tr>
<tr>
<td>Inventories:</td>
<td></td>
</tr>
<tr>
<td>Commissary merchandise, livestock, and subsidiary product—lower of cost or market</td>
<td>$381,104</td>
</tr>
<tr>
<td>By-products—approximate market</td>
<td>240,790</td>
</tr>
<tr>
<td>Operating supplies—cost, principally average cost</td>
<td>505,390</td>
</tr>
<tr>
<td>Growing crops—Note A</td>
<td>2,873,091</td>
</tr>
<tr>
<td><strong>Total Working Assets</strong></td>
<td><strong>$4,913,001</strong></td>
</tr>
</tbody>
</table>

### INVESTMENTS AND OTHER ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiaries—100% owned:</td>
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</tr>
<tr>
<td>Capital stock—Note B</td>
<td>$240,596</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>296,256</td>
</tr>
<tr>
<td>Claim for tax refund arising out of loss carry-back provisions of Internal Revenue Code</td>
<td>100,000</td>
</tr>
<tr>
<td>Sundry receivables and investments</td>
<td>10,797</td>
</tr>
<tr>
<td>Membership in New York Coffee and Sugar Exchange—at nominal amount</td>
<td>647,951</td>
</tr>
<tr>
<td><strong>Total Investments and Other Assets</strong></td>
<td><strong>$22,648,563</strong></td>
</tr>
</tbody>
</table>

### FIXED ASSETS—Note C

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Land</td>
<td>$5,620,068</td>
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<tr>
<td>Buildings, machinery, equipment, etc.</td>
<td>$7,995,247</td>
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<tr>
<td>Less reserves for depreciation</td>
<td>4,092,597</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>7,588,105</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td><strong>16,799,523</strong></td>
</tr>
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</table>

### INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process rights license—at cost—Note I</td>
<td>$94,850</td>
</tr>
<tr>
<td>Patent rights—at nominal amount</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Intangible Assets</strong></td>
<td><strong>94,851</strong></td>
</tr>
</tbody>
</table>

### DEFERRED CHARGES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Prepaid insurance ($147,343) and interest</td>
<td>$152,274</td>
</tr>
<tr>
<td>New financing expenses</td>
<td>49,272</td>
</tr>
<tr>
<td><strong>Total Deferred Charges</strong></td>
<td><strong>201,246</strong></td>
</tr>
</tbody>
</table>

The notes referred to appear on pages 14 and 15 and are an integral part of this statement.
LIABILITIES AND CAPITAL

CURRENT LIABILITIES—Notes D and H

Notes payable:  
For money borrowed .................................................. $6,303,181  
For equipment purchases .................................................. $215,757  
$6,518,939

Accounts payable:  
Trade and for construction ............................................... $2,360,997  
Miscellaneous ..................................................................... 5,991  
$2,366,988

Accrued liabilities:  
Taxes .................................................................................. $246,172  
Interest, salaries, wages, and sundry items .................................. 171,031  
$417,204

Dividend declared on Preferred Stock, no par value ...................... $9,178  
Payments due within one year on long term debt .................. $153,752  
$9,466,062

LONG TERM DEBT (exclusive of portion included above)

Mortgages and land contracts ................................................... $181,839  
Notes payable for equipment purchases .................................... 79,218  
For process rights license ...................................................... 60,850  
$321,907

CAPITAL SHARES AND SURPLUS

CAPITAL SHARES—Note E:  
Preferred, no par value, cumulative dividends $5 per share, call able on 
not less than 30 days notice at liquidating value of $100 per share plus 
accrued dividends  
Authorized 50,000 shares; unissued 42,642.5 shares; in treasury 14.5 
shares; outstanding 7,343 shares at stated value ......................... $734,300  
Preferred, Series A 6.4% cumulative participating convertible, $25 par 
value, callable at $27.50 per share (involuntary liquidation $25 per 
share) plus accrued preferential dividends  
Authorized 200,000 shares; unissued 71,586 shares; retired by con 
version, or in treasury, 315 shares; outstanding 128,099 shares ....... $3,202,475  
Common, par value $1 per share  
Authorized 5,000,000 shares; unissued (Note F) 3,337,649.62 shares; 
in treasury 125,417.38 shares; outstanding 1,536,933 shares ...... $1,536,933

SURPLUS—Note G:  
Capital .......................................................... $4,601,003  
Earned—since June 30, 1933 ............................................. $7,386,885  
$12,860,593

$22,648,563

CONTINGENT LIABILITIES—Note J
UNITED STATES SUGAR CORPORATION

STATEMENT OF PROFIT AND LOSS

Year ended June 30, 1945
(cents omitted)

Net sales and operating revenues (including benefit payments of $524,092 under Sugar Act of 1937 and $189,145 incentive payments). .................................................. $7,854,796
Cost of goods sold and of operating revenues: purchases, labor, supplies, production expenses, taxes, repairs and maintenance, depreciation, etc.; and general and administrative expenses—
Note H ................................. 7,961,560

Other income:
Discounts and interest earned ................................. $ 6,766
Profit on sales of real estate and securities ................................. 13,908
Rental under lease of oil, gas, and sulphur rights ................................. 25,086
Forfeited badge deposits, unclaimed wages, etc. ................................. 7,716
Note H ................................. 53,478

$ 53,285

Other deductions:
Interest expense ................................. $187,213
Sundry items ................................. 9,651
Note H ................................. 106,763

$ 106,763

Net loss from operations of year .................................................. $ 106,763
Less claim for tax refund arising out of loss carry-back provisions of Internal Revenue Code .................................................. 100,000

$ 56,763

Italics indicate red figures.
Provision of $306,316 for depreciation was made during the year.
Net profit of subsidiaries, amounting to $19,361, is not included in this statement.
Note referred to appears on page 15 and is an integral part of this statement.

STATEMENT OF SURPLUS

Year ended June 30, 1945
(cents omitted)

Earned Surplus—Balance June 30, 1944 .................................................. $3,759,284

Addition:
Excess provision for federal taxes on income of prior year .................................................. 15,440

Deductions:
Net loss from statement of profit and loss .................................................. $150,149

Dividends:
On Preferred Stock, no par value—$5.00 per share ................................. $ 36,715
On Preferred Stock, Series A 6.4% Cumulative—$1.60 per share ................................. 204,958

Balance June 30, 1945 .................................................. $3,385,881

Capital Surplus—Balance June 30, 1944 .................................................. $3,840,059

Addition:
Excess of approximate market price over par value of 40,000 shares of Common Stock in treasury issued during the year in acquisition of entire outstanding capital stocks of subsidiaries .................................................. 200,000

Deductions:
Excess of carrying amount of investment in 23,415 shares of capital stock of Clewiston Realty and Development Corporation over par value of 2,341 shares of Common Stock of United States Sugar Corporation and $2.88 cash received in liquidation of the first named corporation .................................................. $ 37,381
Cash payments in excess of par value of 311 shares of Common Stock of United States Sugar Corporation acquired from Clewiston Realty and Development Corporation to provide funds for distribution (in liquidation) by the latter corporation to its shareholders otherwise entitled to fractional shares of such stock .................................................. 1,480
Cost in excess of par value of 160 shares of Series A 6.4% Cumulative Participating Convertible Preferred Stock ................................. 194

Balance June 30, 1945 .................................................. $4,001,003
UNITED STATES SUGAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
Year ended June 30, 1945
(cents omitted)

Net sales and operating revenues (including benefit payments of $524,993 under Sugar Act of 1937 and $189,145 incentive payments) ........................................ $8,070,658
Cost of goods sold and of operating revenues: purchases, labor, supplies, production expenses, taxes, repairs and maintenance, depreciation, etc.; and general and administrative expenses—Note H 8,106,325

Other income:
  Discounts and interest earned .................. $ 8,708
  Profit on sales of Corporation's real estate and securities .......... 13,908
  Rental under lease of oil, gas, and sulphur rights ................ 95,086
  Forfeited badge deposits, unclaimed wages, etc. ................ 8,857

Other deductions:
  Interest expense ................................ $ 327,759
  Sundry items .................................... 3,028

Net loss from operations of year .................................. $ 230,787
Less claim of parent Corporation for tax refund arising out of loss carry-back provisions of Internal Revenue Code .............. 100,000
Net loss to surplus .............................................. $ 130,787

Italics indicate red figures.
Provision of $322,516 for depreciation was made during the year.
This statement includes the operating results of subsidiaries from August 31, 1944, date of acquisition of such subsidiaries by United States Sugar Corporation.
Note referred to appears on page 15 and is an integral part of this statement.

CONSOLIDATED STATEMENT OF SURPLUS
Year ended June 30, 1945
(cents omitted)

Earned Surplus—Balance June 30, 1944 .......................... $3,759,264
Addition:
  Excess provision for federal taxes on income of prior year .......... $ 18,440
Deductions:
  Net loss from statement of profit and loss ....................... $30,787
  Dividends:
    On Preferred Stock, no par value—$5.00 per share .......... $ 36,715
    On Preferred Stock, Series A 6.4% Cumulative—$1.60 per share ........ 241,673
Balances June 30, 1945 .............................................. $3,405,242

Capital Surplus—Balance June 30, 1944 .......................... $3,840,059
Addition:
  Excess of approximate market price over par value of 40,000 shares of the Corporation's Common Stock in treasury issued during the year in acquisition of entire issues of outstanding capital stocks of subsidiaries .......... 200,000
Deductions:
  Excess of carrying amount of investment in 23,415 shares of capital stock of Clewiston Realty and Development Corporation over par value of 2,341 shares of Common Stock of United States Sugar Corporation and $2.88 cash received in liquidation of the first named corporation .... 37,281
  Cash payments in excess of par value of 311 shares of Common Stock of United States Sugar Corporation acquired from Clewiston Realty and Development Corporation to provide funds for distribution (in liquidation) by the latter corporation to its shareholders otherwise entitled to fractional shares of such stock .......................... 1,490
  Cost in excess of par value of 100 shares of Series A 6.4% Cumulative Participating Convertible Preferred Stock .......... 39,055
Balances June 30, 1945 .............................................. $4,001,003

11
# UNITED STATES SUGAR
## CONSOLIDATED BALANCE

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Working Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$340,422</td>
</tr>
<tr>
<td>Accounts receivable:</td>
<td></td>
</tr>
<tr>
<td>Benefit payments under Sugar Act of 1937</td>
<td>$524,993</td>
</tr>
<tr>
<td>Trade ($34,077) and miscellaneous current accounts ($20,842)</td>
<td>54,920</td>
</tr>
<tr>
<td>Accounts of Drainage Districts, after reserve of $10,000</td>
<td>25,416</td>
</tr>
<tr>
<td><strong>Inventories:</strong></td>
<td></td>
</tr>
<tr>
<td>Commissary merchandise, livestock, and subsidiary product—lower of cost or market</td>
<td>$381,104</td>
</tr>
<tr>
<td>By-products—approximate market</td>
<td>246,790</td>
</tr>
<tr>
<td>Operating supplies—cost, principally average cost</td>
<td>505,208</td>
</tr>
<tr>
<td>Food, beverages, etc.—lower of cost or market</td>
<td>16,614</td>
</tr>
<tr>
<td>Growing crops—Note A</td>
<td>2,873,091</td>
</tr>
<tr>
<td><strong>Investments and Other Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Claim for tax refund arising out of loss carry-back provisions of Internal Revenue Code</td>
<td>$100,000</td>
</tr>
<tr>
<td>Land contracts and mortgages receivable</td>
<td>61,569</td>
</tr>
<tr>
<td>Sundry advances, receivables, and investments</td>
<td>41,129</td>
</tr>
<tr>
<td>Membership in New York Coffee and Sugar Exchange—at nominal amount...</td>
<td>1</td>
</tr>
<tr>
<td><strong>Real Estate Held for Sale</strong></td>
<td></td>
</tr>
<tr>
<td>at independently appraised values at June 30, 1934, with subsequent additions at cost, less reserves for depreciation</td>
<td>$453,821</td>
</tr>
<tr>
<td>Lots, acreage, and golf course</td>
<td></td>
</tr>
<tr>
<td>Dwellings and other buildings</td>
<td>$348,934</td>
</tr>
<tr>
<td>Less reserve for depreciation</td>
<td>110,130</td>
</tr>
<tr>
<td><strong>Fixed Assets—Note C</strong></td>
<td>$5,645,457</td>
</tr>
<tr>
<td>Land</td>
<td></td>
</tr>
<tr>
<td>Buildings, machinery, equipment, etc.</td>
<td>$8,267,402</td>
</tr>
<tr>
<td>Less reserves for depreciation</td>
<td>4,172,456</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>7,276,655</td>
</tr>
<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Process rights license—at cost—Note I</td>
<td>$94,850</td>
</tr>
<tr>
<td>Patent rights—nominal amount</td>
<td>1</td>
</tr>
<tr>
<td><strong>Deferred Charges</strong></td>
<td></td>
</tr>
<tr>
<td>Prepaid insurance ($151,046), interest, etc.</td>
<td>$156,943</td>
</tr>
<tr>
<td>New financing expenses</td>
<td>48,972</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$23,181,712</td>
</tr>
</tbody>
</table>

The notes referred to appear on pages 14 and 15 and are an integral part of this statement.
## LIABILITIES AND CAPITAL

**CURRENT LIABILITIES—Notes D and H**

<table>
<thead>
<tr>
<th>Notes payable:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>For money borrowed</td>
<td>$6,305,172</td>
<td>$6,520,929</td>
<td></td>
</tr>
<tr>
<td>For equipment purchases</td>
<td>215,757</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Accounts payable:**

| Trade and for construction | $2,966,442          |
| Miscellaneouss | 6,624               |

**Accrued liabilities:**

| Taxes (other than taxes on income) | $261,571            |
| Interest, salaries, wages, and sundry items | 171,479            |

**Federal taxes on income of subsidiaries** | 3,928               |

**Dividend declared on Preferred Stock, no par value** | 9,378               |

**Payments due within one year on long term debt** | 153,752             |

**LONG TERM DEBT (exclusive of portion included above)**

| Mortgages and land contracts | $181,639            |
| Notes payable for equipment purchases | 79,018             |
| For process rights license | 60,850              |

**DEFERRED INCOME** | 5,831               |

**RESERVE**

**Excess of subsidiaries' carrying amounts for their net assets at date of acquisition of such subsidiaries, over value assigned to 40,000 shares of the Corporation's Common Stock issued for the subsidiaries' shares** | 451,309             |

**CAPITAL SHARES AND SURPLUS**

**CAPITAL SHARES—Note E:**

- Preferred, no par value, cumulative dividends $5 per share, callable on not less than 30 days notice at liquidating value of $100 per share plus accrued dividends
- Authorized 50,000 shares; unissued 42,042.5 shares; in treasury 14.5 shares; outstanding 7,343 shares at stated value | $734,300            |

- Preferred, Series A 6.4% cumulative participating convertible, $25 par value, callable at $27.50 per share (involuntary liquidation $25 per share) plus accrued preferential dividends
- Authorized 200,000 shares; unissued 71,580 shares; retired by conversion, or in treasury, 315 shares; outstanding 128,699 shares | 3,209,475            |

- Common, par value $1 per share
  - Authorized 5,000,000 shares; unissued (Note F) 3,337,649.62 shares; in treasury 125,417.38 shares; outstanding 1,536,933 shares | $5,473,708            |

**SURPLUS—Note G:**

| Capital | $4,001,003          |
| Earned—since June 30, 1933 | 7,406,246             |

| 12,870,541          |

| 23,181,712            |

**CONTINGENT LIABILITIES—Note J**

13
NOTE A—The amount for growing crops relates primarily to sugar-cane ($2,172,199) and sweet potatoes ($536,534). In respect of sugar-cane the amount represents costs of land preparation, planting and first cultivation, which are amortized over four years, plus current growing season cultivating costs, and between harvest overhaul costs charged to the current growing season’s crop. As to sweet potatoes the amount represents land preparation, planting and cultivating costs, which are chargeable to the next harvest.

NOTE B—As of August 31, 1944, the Corporation acquired from Clewiston Realty and Development Corporation the entire outstanding capital stocks of five companies, in consideration of 40,000 shares of Common Stock in treasury of United States Sugar Corporation. At June 30, 1945, the amount for investments in subsidiaries was $470,671 less than the aggregate of the subsidiaries’ carrying amounts for their net assets as shown by their records, and represented the excess ($451,309) of such net assets over the value assigned to the 40,000 shares of Common Stock issued therefor, plus net profits of the subsidiaries, aggregating $19,361, for the period since acquisition.

NOTE C—The amounts for land, buildings, machinery, equipment, etc., of the Corporation are those assigned thereto as of December 8, 1931, with respect to those acquired in the reorganization of the Corporation’s predecessor (which amounts were less than those carried on the books of the predecessor), plus subsequent net additions at cost. The Corporation has an option from a wholly owned subsidiary on certain lands, which option it carries in its accounts at $224,649 with a reserve of like amount. With respect to land, buildings and equipment of subsidiaries, the amount ($306,094) is based on independently appraised reproductive values as of June 30, 1934, with subsequent additions at cost.

NOTE D—As of July 1, 1945, United States Sugar Corporation entered into a loan agreement with Reconstruction Finance Corporation, under which the Corporation received a loan of $7,500,000. Such loan is repayable as follows:

(a) $750,000 on or before June 1, 1945; beginning June 1, 1947, three consecutive annual payments in the amount of $1,675,000 each, and the balance on or before June 1, 1950.

(b) On or before 120 days after the close of the Corporation’s fiscal year ending on June 30, 1946, and annually thereafter, additional payments each equal to the amount by which 69% of the Corporation’s net earnings (before depreciation but after deduction for income, excess profits and other taxes) for the preceding fiscal year exceeds the amount payable during such preceding fiscal year as set forth in (a) above.

(c) Additional annual payments each in the amount, if any, by which the aggregate amount of depreciation and/or amortization on facilities taken by the Corporation as a deduction for income tax purposes during the preceding fiscal year, exceeds the sum of (1) the aggregate amount of principal payments as set forth in (a) above made during such fiscal year and (2) the amount of the payment then being made on account of the requirement set forth in paragraph (b) above.

Collateral to the loan consists of the following:

(a) Mortgage covering all land, buildings, machinery and equipment owned by the Corporation, subordinate in all respects to any crop mortgage on growing crops prior to foreclosure proceedings accompanied by lis pendens or bankruptcy proceedings.

(b) Pledge of all the stock of the Corporation’s wholly-owned subsidiaries.

(c) Assignment of all the Corporation’s right, title and interest in and to (1) note, in the amount of $75,000, executed by Clewiston Hotels Company (a subsidiary), together with a mortgage securing said note covering all the property of the hotel company, and (2) note, in the amount of $100,000 executed by Sugarland Park Corporation (a subsidiary), together with a mortgage securing said note covering all the property of Sugarland Park Corporation; provided that all payments received on account of said assignments shall be applied on account of the installments of principal falling due on the loan in the inverse order of maturity.

(d) All the right, title and interest of the Corporation in and to a certain oil and gas lease to The Ohio Oil Company, dated June 15, 1944.

Among other things, the agreement provides for restrictions on borrowings, expenditures for fixed capital additions, etc.
Without the prior written consent of Reconstruction Finance Corporation, the Corporation will not permit its liabilities (including the liability on account of the loan) and the liabilities of subsidiaries to exceed the sum of (1) working assets of the Corporation and subsidiaries, and (2) $3,500,000.

In connection with the loan agreement, the Corporation's indebtedness of $1,250,000 plus interest amounting to $18,750, to a Stockholder-Director was satisfied through the issuance to such Stockholder-Director of 14,097 shares of no par value $5 Preferred Stock of the Corporation.

The proceeds of the loan from Reconstruction Finance Corporation were applied as follows:

<table>
<thead>
<tr>
<th>Payment of current liabilities:</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans and accrued interest</td>
<td>$5,100,630</td>
</tr>
<tr>
<td>Mortgages, land contracts, and equipment purchase contracts, and accrued interest</td>
<td>179,976</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,271,606</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payment of long term debt:</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages and land contracts</td>
<td>181,839</td>
</tr>
<tr>
<td>Deposited in special account for paying bills pertaining to new construction work, including amounts estimated as necessary to fully complete the same.</td>
<td>1,600,000</td>
</tr>
<tr>
<td>Balance deposited in Corporation's bank account for working capital</td>
<td>440,555</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,500,000</strong></td>
</tr>
</tbody>
</table>

**Note E**—There were no dividend arrearages at June 30, 1945, on either class of Preferred Stock. No delivery of shares or deposit of funds, based on earnings of the year ended June 30, 1945, will be required under the sinking fund provisions of Series A 6.4% Preferred Stock, at June 30, 1945, there were in the treasury 290 shares of stock of this class purchased in anticipation of sinking fund requirements. Under the loan agreement referred to in Note D, the Corporation may not, without prior written consent of Reconstruction Finance Corporation, declare or pay any dividend or make any distribution upon its capital stock, or purchase or retire any of its capital stock.

Dividends on Common Stock are further subject (a) to prior dividend rights of both classes of Preferred Stock; (b) to no default existing with respect to the sinking fund for Series A 6.4% Preferred Stock; and (c) to the consolidated net working assets (as defined in the Certificate of Incorporation, as amended) of the Corporation and subsidiaries after the payment of dividends on the Common Stock being not less than $2,000,000 and the aggregate capital stock (other than Preferred Stock, $25 par value, of all series), capital surplus and earned surplus being not less than $7,500,000.

**Note F**—549,912.5 shares of Common Stock are reserved for conversion of Series A 6.4% Preferred Stock.

**Note G**—Surplus was restricted to the extent of $13,501 with respect to 9,801 shares of Common Stock, 290 shares of Series A 6.4% Preferred Stock, and 14.5 shares of Preferred Stock, $5 cumulative, in the treasury. As of June 30, 1933, losses to that date from operations, amounting to $494,027, were charged against capital surplus; therefore, earned surplus dates from June 30, 1933.

**Note H**—No provision has been made for a possible liability to Bitting, Incorporated, for supervisory management services rendered since June 30, 1944, and not covering the ordinary routine operations of the Corporation. Any amount owing is to be determined mutually on a quantum meruit basis and subject to approval of the Board of Directors. So long as the indebtedness referred to in Note D to Reconstruction Finance Corporation remains unpaid, no payments may be made to Bitting, Incorporated of any amount found due to it for such services, except with prior written consent of Reconstruction Finance Corporation.

**Note I**—No portion of the cost of process rights license had been amortized at June 30, 1945, as operations of the starch plant, to which the license pertains, had not commenced at that date.

**Note J**—(1) The Corporation was contingently liable as guarantor of Sugarland Drainage District bonds in the principal amount of $178,500 with 4% interest thereon. The sugar-house and certain other facilities of the Corporation are situated in this district. No payments have been required under this guarantee.

(2) Clewiston Hotels Company, a subsidiary which operates the Clewiston Inn primarily for the benefit of United States Sugar Corporation, is to be indemnified by the last named for any loss, sustained annually, in the operation of the Inn. No payment was required for the year ended June 30, 1945, under this agreement.
REPORT OF INDEPENDENT AUDITORS

Board of Directors,
United States Sugar Corporation,
Clewiston, Florida.

We have examined the balance sheet of United States Sugar Corporation and
the consolidated balance sheet of the Corporation and its Subsidiaries as of June 30,
1945, and the related statements of profit and loss and surplus for the 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 evi-
dence, 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.

It has been the policy of the Corporation in respect of cane fields the cost of
which had been fully amortized but from which cane continued to be cut, annually to
charge to costs and credit to a reserve so long as such cutting continued, sums equiva-
lent to those by which the cane field costs annually had been amortized. Such reserve
was used to absorb the unamortized cost of abandoned cane fields, and catastrophic
losses from climatic conditions, such as low temperatures. During the fiscal year
under report after charging to the reserve amounts ($32,397) for abandoned cane
fields, the balance ($91,464) of the reserve (all provided during the year) was
credited to costs of that year to apply against losses attributed to low temperatures.
In determining Benefit Payments for the year under the Sugar Act of 1937, the
United States Government recognized a deficiency in yield caused, among other
things, by low temperatures. In prior years the Corporation has compiled detailed
figures to substantiate charges to the reserve for losses resulting from climatic condi-
tions, but this year, the data made available to us, is not, in our opinion complete
enough, at the time of writing our report, to support the amount of $91,464 charged
against the reserve.

In our opinion, subject to the comments in the foregoing paragraph, the ac-
companying balance sheets and statements of profit and loss and surplus fairly
present the position of the Companies as of June 30, 1945, and the results of opera-
tions for the year ended that date in accordance with generally accepted accounting
principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst

Miami, Florida
September 21, 1945.