October 2, 1947

TO THE STOCKHOLDERS
UNITED STATES SUGAR CORPORATION:

On September 16, 1947, at a meeting in Chicago, Illinois, the Board of Directors approved the Annual Report and my message to Stockholders, submitted herewith.

The next day a severe tropical hurricane which had been expected to continue a northerly course some distance at sea, turned suddenly westward and on September 17 and 18 hurricane winds, continuing for more than twelve hours at velocities of from eighty to one hundred miles per hour swept through the Corporation’s properties. The hurricane was preceded, accompanied and followed by very heavy rainfall which reached a maximum in some areas of more than 17 inches between September 17 and 22.

No loss of life occurred, however, and damage to Corporation owned buildings was not serious, probably not more than Ten or Fifteen Thousand Dollars covered by the usual wind storm insurance.

As to growing cane a negligible quantity was up-rooted and a considerable portion flattened and leaf-shredded, but the principal damage incurred resulted from excess water in the fields. With a high Lake level and drainage canals filled or over-flowing, pumping operations have been difficult.

However, unless unusual conditions recur, the situation is in hand and assuming prevalence of fairly normal conditions the total cane harvest of nearly one million tons, anticipated when the Annual Report was written, should not be reduced by more than 15%.

Respectfully submitted,

[Signature]

President
SIXTEENTH ANNUAL REPORT
JUNE 30, 1947

United States Sugar Corporation

OFFICERS

CHARLES STEWART MOTT
Chairman of the Board

FOREST P. TRALLES ........................................ President
CHARLES E. WETHERALD. ..................... Executive Vice-President
MALCOLM W. BIGG. .............................. Secretary and Treasurer
DR. B. A. BOURNE. ............................... Vice-President, Research
JOSIAH FERRIS, JR. ............................ Vice-President, Sales, Personnel and Real Estate
R. Y. PATTERSON. ......................... Vice-President, Engineering
W. C. PREWITT. ................................. Vice-President, Agriculture
H. T. VAUGHN ......................... Vice-President, Operations Management
O. A. JONES ....................... Assistant Secretary and Assistant Treasurer
FRED C. SIKES. ............................ Assistant Secretary
A. F. HACKNEY .............................. Comptroller
BOARD OF DIRECTORS

Robert W. Atkins
Clarence R. Bitting
William T. Bitting
Roy E. Brownell
Patrick Butler
J. Douglas Casey
John G. Getz, Jr. (2)

Hamish Mitchell (2)
C. S. Harding Mott (1)
Charles Stewart Mott (1)
Joseph D. Murphy (1)
Thomas Oxnard
N. F. S. Russell (2)
Forest P. Tralles (1)

Charles E. Wetherald (1)

(1) Member of Executive Committee.
(2) Member of Audit Committee.

TRANSFER AGENTS

Preferred Stock $5. No Par

Lawyers Trust Company,
New York, N. Y.

Equitable Trust Company,
Wilmington, Del.

Series A 6.470 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.
UNITED STATES SUGAR CORPORATION
CLE WISTON, FLORIDA

SEPTEMBER 16, 1947.

To the Stockholders:

On February 12, 1947, as President of the Corporation, I addressed to each member of the Board of Directors the following communication:

"Freezing weather assailed corporation properties the nights of February 5, 9 and 10; lows ranging from 25° in both eastern and western divisions on the 5th, to 29° eastern 32° western on the 9th, and 25° eastern to 27-31° western on the 10th. All plant cane growth was destroyed and sucrose of the 1947-1948 crop will be affected unfavorably by the shortened growing period. Terminal buds and stalks were frozen on cane about to be harvested and, generally speaking, the sucrose from now until the end of the present harvest will not increase as would normally be the case. The effect on total tonnage will depend somewhat on future weather conditions."

This freeze was one of the most severe and the most prolonged in sixteen years of corporate operations.

Coming approximately midway in harvesting operations, it meant that no standing cane developed additional sucrose and that sucrose content then existing would deteriorate slowly or rapidly-slowly, if the weather remained dry and cool; rapidly, if the weather turned warm and rainy. Aided by cool dry weather, deterioration progressed slowly until the final thirty clays of the crop, and the frozen cane was harvested and ground in normal quantities for almost three months after the initial freeze. This period, which is usually one of high and increasing sucrose, became one of stationary, slow, and finally, rapidly declining percentage of sugar per ton of cane. A crop, therefore, which would undoubtedly have been the largest in corporate history, fell somewhat short of the record crop produced during the fiscal year ended June 30, 1946.

Production figures reflected in this report show that 977,341 tons of cane were ground, and 88,698 tons of 96° raw sugar produced during the fiscal year ended June 30, 1947, as against 977,960 tons of cane ground and a production of 93,045 tons of 96° raw sugar during the fiscal year ended June 30, 1946, a reduction of 619 tons of cane and 4,347 tons of sugar, as compared with the preceding record crop. Of cane tonnage ground 899,720 tons was administration cane and 77,621 tons purchased cane, as against 930,493 tons of administration cane and 47,467 tons of purchased cane during the last preceding crop. During the fiscal year ended June 30, 1947, 6,242,000 gallons of Black Strap Molasses were produced as against 5834,000 gallons in the last preceding crop.

The work of the organization in achieving this result under the handicap above outlined, cannot be too highly commended. It demonstrated that completely frozen sugar cane can be profitably harvested and processed into sugar for a considerable period of time after a serious freeze.

The production figures do not mean that no substantial diminution of sugar production occurred, but they do mean that continued grinding of frozen cane is commercially feasible and that, except for the freeze, the 1946-1947 harvest would doubtless have surpassed all former records by a substantial margin.

Viewing the financial aspect of the 1946-1947 crop, a better average price for sugar resulted in net income, before income taxes, of $1,565,866, as against net income of $413,122 during the fiscal year ended June 30, 1946. After income taxes, it will be observed from the income account, a net profit of $1,015,866 was earned.
As appears above, and as will hereafter in these remarks more forcibly appear, the sugar operations of this Corporation are firmly and solidly established.

It becomes necessary, however, to fully acquaint stockholders with conclusions reached by management affecting emergency plant facilities for the manufacture of starch from sweet potatoes and completed about December 31, 1945.

These facilities were planned and constructed during World War II under certificate of war necessity issued by the Federal Government, at an eventual cost of approximately $8,300,000. They consisted of a starch plant, a waste disposal plant, water treatment plant, steam and electric plant, water lines, boiler feed water treatment plant, railroad trackage and other necessary facilities. Of the ultimate total cost, $7,500,000 was provided through a loan from Reconstruction Finance Corporation, participated in to the extent of fifty per cent thereof by certain New York, Philadelphia, St. Louis, Jacksonville, Tampa and Miami Banks. Maturities were set up not only on the basis of prospective profits from sugar operations, but on the basis of substantial profits expected from production of sweet-potato-starch. These maturities were substantial, and contemplated repayment of the loan within a 5-year period. The first principal maturity of $750,000 was due June 1, 1946, and fixed maturities of $1,675,000 each were due June 1, 1947, June 1, 1948, June 1, 1949, and the balance July 1, 1950. Under the loan contract, substantial additional payments matured October 28 of each year, commencing with 1946, such maturities being based upon the amounts of deductions for depreciation and amortization of facilities. Under this formula, $492,877 principal amount became due October 28, 1946, and a further substantial amount was to mature October 28, 1947.

Two seriously adverse factors developed in connection with the construction and operation of starch facilities:

1) Constructed during the war in a period of great scarcity of labor and materials, even priorities commanded by the certificate of necessity proved insufficient to permit realization of either cost or time factors estimated as ample by independent engineers. As a result, final costs were substantially in excess of estimates, and work progress failed to keep pace with calculations.

2) Experience of present management in harvesting two crops of sweet potatoes, one wholly planted and one partially planted under former management, has demonstrated that per acre tonnage figures submitted to the Board of Directors as a basis for authorizing construction of sweet potato starch plant had not then and cannot now be even approximately achieved. As against such management estimates of 20 to 25 tons of sweet potatoes per acre, and engineering estimates, based on management figures, of a minimum of 16 tons per acre, actual results for the crop most recently harvested show an average of less than 5 tons per acre. This complete failure to achieve predicted tonnage resulted in an operating loss from starch production, as noted in the last annual report, of $721,222, and an operating loss, as shown in this report, of $421,354, both of these figures before depreciation or amortization of facilities applicable to starch operations. The loss in the 1945-1946 fiscal year had been incurred when present management entered upon its duties and substantial plantings had been made of sweet potatoes constituting the crop harvested and processed during the fiscal year ended June 30, 1947. By the time this last crop was ready for harvest in the fall of 1946 present management had concluded from periodical field tests that loss was inevitable, but harvesting and processing was undertaken in the belief that some of the agricultural costs therefore incurred might be salvaged. This was accomplished, but management and the Board of Directors have concluded there is no present basis for profitable operation of the sweet potato starch plant, and, except for continued research, with the hope of developing water-tolerant higher yield sweet potatoes, the project has been discontinued, and no commercial plantings have been made for harvesting during the fiscal year which will end June 30, 1948. While this eliminates starch facilities from the realm of expected profits, it also halts future operating losses in this field.

As heretofore reported, ramie is being grown and harvested from lands owned by this Corporation and is decorticated and marketed by Newport Industries, Incorporated, under joint contract. Ramie, a perennial, is a summer crop producing about three cuttings...
a year. Harvesting is now in progress, and processing of the second of three cuttings is nearing completion. The quality and quantity of ramie grown and harvested is satisfactory and the decorticating machine is now operating at full rated capacity of ten tons a day. The harvest will be completed about November 1, and data will be thereafter available on tonnage, costs and sales, which should be determinative of the future commercial importance of this product. The outlook is encouraging.

When present management assumed office May 21, 1946, the Corporation was confronted with serious problems:

(a) Analysis of first harvest results and extensive field tests of sweet potatoes then growing, indicated that yields would not justify continued operation of starch facilities.

(b) More than One Million Dollars of claims against the Corporation had been asserted by contractors, subcontractors, material men, engineers and others, including a suit for $650,000 theretofore filed by the general contractor for the starch plant in the Federal Court at Miami, Florida.

(c) Lack of cash and working capital had resulted in substantial delinquencies in current bills.

(d) Principal and interest maturities within thirteen months of more than Two and One-Half Million Dollars confronted the Corporation with respect to the $7,500,000 first mortgage debt due Reconstruction Finance Corporation and the participating banks.

These problems, despite a serious and prolonged freeze, have been met and solved by the Corporation, principally through the fundamental soundness of its sugar development, as will appear in detail from the financial statements contained in this report.

Mortgage loan maturities, burdensome by reason of losses instead of profits from operation of starch facilities, were modified by Reconstruction Finance Corporation and the participating banks, and Savannah Sugar Refining Corporation, which refines and markets our sugar output, made available to the Corporation a crop loan of One Million Dollars for crop cultivation over the growing season and into the 1946-1947 harvest. These expressions of confidence merit sincere appreciation on the part of the Corporation’s officers and directors.

The crop loan of one million dollars was fully repaid from sugar receipts before February 15, 1947. All interest accrued under the loan from Reconstruction Finance Corporation and participating banks has been promptly met, and lightened principal maturities of $2,312,628 have been paid between June 1, 1946, and July 1, 1947, thus reducing the loan from $7,500,000 to $5,187,372, with no further principal maturities until March 1, 1948, at which time the Corporation will be well into the production and sale of sugar from its 1947-1948 crop.

During the past year all suits and claims against the Corporation, noted above, have been compromised, adjusted and settled for cash, on a basis which fully and fairly protects the rights of the Corporation and of its stockholders.

The Corporation is in a completely current position; it is unnecessary to seek a crop loan from Savannah Sugar Refining Corporation, or from any other source, and harvesting of the 1947-1948 crop should start on schedule during the latter part of October, 1947.

It may be noted, as of interest to stockholders, that had the starch facilities never been built, thus eliminating charges occasioned thereby, sugar operations of the Corporation alone, for the fiscal year ended June 30, 1947, would have resulted in a profit before income taxes in excess of $4,000,000. Even with the operating loss and other charges incident to the starch facilities, had the Corporation chosen to take normal depreciation instead of accelerated amortization, under which the entire cost of starch facilities will be amortized within sixty months from December 31, 1945, the net profits, before income taxes, for the fiscal year just closed, would have been $2,937,972.
While this Corporation has surmounted usual and unusual agricultural hazards in
the past, attention is again directed, as has heretofore been the practice, to the fact that
the Corporation is engaged in agricultural pursuits, and therefore, is subject to all the
hazards of agriculture in the territory in which its operations are conducted. The prop-
erties of the Corporation have been visited at times in the past by tropical disturbances
and subnormal temperatures, and may, of course, be so visited in the future. Attention
is specifically called to the prolonged freeze of February last and the report to directors
which prefaces these comments to the effect that all plant cane growth was destroyed.
Excellent growing weather has substantially restored normal cane growth, although un-
usually heavy rainfall since March of this year has increased cost of handling surplus
water and has again impressed management with long term water control problems which
affect the future welfare of the Corporation.

The annual meeting of the stockholders is scheduled to be held, in accordance with
the By-Laws, at 12 o’clock noon, October 21, 1947, at 100 West 10th Street, Wilmington,
Delaware.

The Board of Directors has fixed September 18, 1947, as the record date for deter-
mination 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.

Among the items of business to be transacted at the annual stockholders meeting
will be receipt and action upon the annual report (of which this is a copy) and the election
of directors, in accordance with the By-Laws of the Corporation.

Stockholders are requested to make a special effort to be present in person. If this
is impracticable, each stockholder should write the name of his chosen proxy in the form
sent him and forward it, in accordance with printed directions.

The undersigned, as President, expects to be present at the annual stockholders’
meeting, and will be glad to discuss with stockholders all pertinent matters and answer any
questions which may be propounded.

And now a more or less personal comment: I have been a director and counsel for
the Corporation since organization, and accepted the Presidency, reluctantly, on May 21,
1946, at the request of the Board of Directors, and with the understanding that I expected
to hold the office only until such time as pressing problems were solved. Accordingly, I ask
that the Board relieve me of my duties as President at its next organization meeting,
usually held in December, following the annual stockholders’ meeting, which is set for
October 21, 1947.

The Corporation enjoys the benefit of a magnificent operating organization. It was
most fortunate that with the management change of May 21, 1946, Charles E. Wetherald,
for many years Production Manager, Chevrolet Division, General Motors Corporation,
consented to serve as Executive Vice-President and General Manager. Mr. Wetherald
has agreed to remain active, and under his direction United States Sugar Corporation may
be expected to progress soundly and to share abundantly in all general prosperity.

By order of the Board of Directors.

[Signature]

President.
UNITED STATES SUGAR CORPORATION

BALANCE SHEET
INCOME ACCOUNT
SURPLUS ACCOUNTS
CONSOLIDATED BALANCE SHEET
CONSOLIDATED INCOME ACCOUNT
CONSOLIDATED SURPLUS ACCOUNTS
NOTES TO FINANCIAL STATEMENTS
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

JUNE 30, 1947
ASSETS

WORKING ASSETS:

Current assets:
- Demand deposits in banks and cash on hand
- Accounts receivable (considered collectible):
  - Trade
  - Other
- Inventories:
  - Commissary merchandise and beef cattle, at the lower of cost or market
  - Molasses, at estimated realizable value
- Total current assets

Other working assets:
- Operating supplies, at average cost
- Growing crops:
  - Unamortized cost of planting and cultivation to first harvest ($518,486 applicable to current growing season)
  - Growing season expenses
- Total working assets

INVESTMENTS AND OTHER ASSETS:
- Wholly-owned subsidiaries (Notes A and C):
  - Capital stock
  - Mortgage notes and accounts receivable
- Land contracts and mortgage notes receivable (Note C)
- Claims for refund of federal taxes on income (Note D)
- Miscellaneous investments and advances
- Membership in New York Coffee and Sugar Exchange, Inc., at nominal amount
- Purebred cattle, at cost

PROPERTY, PLANT AND EQUIPMENT (Notes B and C):
- Land
- Buildings, machinery and equipment
- Reserves for depreciation
- Buildings, machinery and equipment on certificate of necessity, at cost
- Reserves for amortization
- Pasture improvements, at cost, less amortization of $88,661
- Construction in progress, at cost

INTANGIBLE ASSETS:
- Process rights license, at cost, less amortization of $8,369
- Patent rights, at nominal amount

DEFERRED EXPENSES:
- Prepaid insurance ($237,335), interest, etc.
- Refinancing expenses, less amortization of $72,520
- Other

The accompanying notes are an integral part of the above balance sheet.
SUGAR CORPORATION

corporation

AS AT JUNE 30, 1947

ALONE

LIABILITIES

Current Liabilities:
\[\begin{align*}
\text{Payments due within one year on mortgage note payable to Reconstruction Finance Corporation (Note C) } & \quad $3,015,069 \\
\text{Notes payable, due within one year } & \quad 47,959 \\
\text{Accounts payable:} & \\
\text{Trade (notes issued therefor on July 1, 1947) } & \quad 178,842 \\
\text{Insurance premiums due within one year } & \quad 26,931 \\
\text{Miscellaneous } & \quad 47,590 \\
\text{Subsidiaries } & \quad 1,167 \\
\text{Federal taxes on income, year ended June 30, 1947, estimated (Note D) } & \quad 550,000 \\
\text{Accrued expenses:} & \\
\text{Taxes, other than income taxes } & \quad 300,885 \\
\text{Salaries, wages and other } & \quad 147,523 \\
\end{align*}\]

Total current liabilities \(\quad $4,315,966\)

Notes and Accounts Payable, noncurrent:
\[\begin{align*}
\text{Notes } & \quad 53,051 \\
\text{Insurance premiums (notes issued therefor on July 1, 1947) } & \quad 80,794 \\
\end{align*}\]

Mortgage Note Payable, 4 per cent., Reconstruction Finance Corporation, payable $1,675,000 on June 1 of each year, balance due July 1, 1950, with provisions for accelerated payments based upon earnings and/or depreciation and amortization deductions (Note C) \(\quad $5,187,372\)

Less, Amount included in current liabilities \(\quad 3,015,069\)

Reserves:
\[\begin{align*}
\text{For unadjusted management compensation (Note E) } & \quad 165,000 \\
\text{For losses on growing crops (Note F) } & \quad 185,741 \\
\end{align*}\]

Contingent Liabilities (Note G)

Capital and Surplus

Capital Stock (Note H):
\[\begin{align*}
\text{Preferred, no par value, cumulative dividends }$5\text{ per share, callable at }$100 \\
\text{per share plus accrued dividends:} & \quad $2,145,000 \\
\text{Authorized 50,000 shares; issued and outstanding 21,450 shares, exclusive of 167 shares redeemed } & \\
\text{Preferred, Series A }$25\text{ par value, 6.4 per cent., cumulative participating convertible, callable at }$27.50 \\
\text{per share (involuntary liquidation }$25\text{ per share) plus accrued dividends:} & \quad 2,925,575 \\
\text{Authorized 200,000 shares; issued and outstanding 117,023 shares, exclusive of 11,391 shares retired } & \\
\text{by conversion } & \\
\text{Common stock, }$1\text{ par value:} & \quad 4,814,870 \\
\text{Authorized 5,000,000 shares; issued and outstanding 1,586,436 shares (490,827 shares reserved for } & \\
\text{conversion) } & \\
\text{CAPITAL SURPLUS, as annexed } & \quad 6,657,011 \\
\text{EARNED SURPLUS, since June 30, 1933, as annexed (Note H) } & \quad 4,549,430 \\
\text{Less, Treasury stock, at cost:} & \quad 4,814,870 \\
\text{Preferred stock, no par value, 10 shares } & \quad 923 \\
\text{Preferred stock, Series A, 290 shares } & \quad 7,813 \\
\text{Common stock, 9,801 shares } & \quad 74,305 \\
\text{Less, Treasury stock, at cost:} & \quad 83,041 \\
\text{CAPITAL SURPLUS, as annexed } & \quad 15,688,270 \\
\text{EARNED SURPLUS, since June 30, 1933, as annexed (Note H) } & \quad 22,625,975 \\
\end{align*}\]

The accompanying notes are an integral part of the above balance sheet.
UNITED STATES SUGAR CORPORATION  
(a Delaware corporation)  

INCOME ACCOUNT  
For the Year Ended June 30, 1947  
(Parent Company alone)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales and operating revenues (including U. S. Government benefit payment of $641,797)</td>
<td>$14,014,531</td>
</tr>
<tr>
<td>Costs of sales and operating expenses (excluding amortization of facilities on certificate of necessity):</td>
<td></td>
</tr>
<tr>
<td>Purchases, labor, supplies, production expenses, taxes (other than income taxes), repairs and maintenance, etc., including amortization of growing crops (Note F)</td>
<td>$9,843,914</td>
</tr>
<tr>
<td>Selling, administrative and general expenses</td>
<td>660,735</td>
</tr>
<tr>
<td>Profit from operations before amortization of facilities on certificate of necessity</td>
<td>$3,509,882</td>
</tr>
</tbody>
</table>

Amortization of facilities on certificate of necessity (Note B)  

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other income :</td>
<td></td>
</tr>
<tr>
<td>Discounts and interest earned</td>
<td>$15,314</td>
</tr>
<tr>
<td>Profit on sales of land</td>
<td>79,160</td>
</tr>
<tr>
<td>Rental under lease of oil, gas and sulphur rights</td>
<td>24,803</td>
</tr>
<tr>
<td>Dividends received</td>
<td>6,464</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,750</td>
</tr>
<tr>
<td>Other deductions :</td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>$279,931</td>
</tr>
<tr>
<td>Loss on equipment abandoned or sold</td>
<td>108,977</td>
</tr>
<tr>
<td>Amortization of refinancing expenses</td>
<td>35,640</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>424,708</td>
</tr>
<tr>
<td>Income before allowance for federal taxes on income</td>
<td>$1,565,866</td>
</tr>
<tr>
<td>Allowance for federal taxes on income, estimated (Note D)</td>
<td>550,000</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$1,015,866</td>
</tr>
</tbody>
</table>

**Note**: Allowances for depreciation and amortization of property, plant and equipment aggregating $2,075,156 (including $37,048 amortization of pasture improvements) are deducted in the above income account.

SURPLUS ACCOUNTS  
For the Year Ended June 30, 1947  
(Parent Company alone)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>EARNED SURPLUS-SINCE JUNE 30, 1933</td>
<td></td>
</tr>
<tr>
<td>Earned surplus, July 1, 1946</td>
<td>$3,799,004</td>
</tr>
<tr>
<td>Net income for the year ended June 30, 1947, as annexed</td>
<td>1,015,866</td>
</tr>
<tr>
<td>Earned surplus, June 30, 1947 (Note II)</td>
<td>$4,814,870</td>
</tr>
<tr>
<td><strong>CAPITAL SURPLUS</strong></td>
<td></td>
</tr>
<tr>
<td>Capital surplus, July 1, 1946</td>
<td>$4,166,768</td>
</tr>
<tr>
<td>Additions :</td>
<td></td>
</tr>
<tr>
<td>Excess of cost of treasury stock, over par or stated value thereof, previously charged to capital surplus, now restored to treasury stock</td>
<td>$64,990</td>
</tr>
<tr>
<td>Excess of par value of Series A, 6.4 per cent, convertible preferred stock over par value of common stock issued in exchange therefor</td>
<td>6,820</td>
</tr>
<tr>
<td>Restoration of portion of reserve for option lands (provided in prior years by charges to capital surplus) applicable to acreage sold during the year</td>
<td>10,852</td>
</tr>
<tr>
<td><strong>Capital surplus, June 30, 1947</strong></td>
<td>$4,249,430</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the above income and surplus accounts.
UNITED STATES SUGAR CORPORATION
(a Delaware corporation)
And Its Wholly-Owned Subsidiaries

CONSOLIDATED INCOME ACCOUNT
For the Year Ended June 30, 1947

Net sales and operating revenues (including U. S. Government benefit payment of $641,797) ............................................................... $14,330,342

Costs of sales and operating expenses (excluding amortization of facilities on certificate of necessity):

Purchases, labor, supplies, production expenses, taxes (other than income taxes), repairs and maintenance, etc., including amortization of growing crops (Note F) ...................................................... $10,132,201
Sales, administrative and general expenses ........................................ 688,807 10,816,008

Profit from operations before amortization of facilities on certificate of necessity ............................................................ $ 3,514,334

Amortization of facilities on certificate of necessity (Note B) .............. 1,647,799

Other income:
Discounts and interest earned ................................................................. $ 17,667
Profit on sales of land by parent company .................................................. 79,160
Rental under lease of oil, gas and sulphur rights ........................................... 24,803
Dividends received .................................................................................. 439
Miscellaneous ......................................................................................... 2,935 125,004

Income before allowances for federal taxes on income ................. $ 1,556,281

Allowances for federal taxes on income (Note D):
Parent company, estimated ................................................................. $ 550,000
Subsidiaries ......................................................................................... 2,269

Less, Claims for refund and adjustments of prior years' federal taxes on income of subsidiaries ..................................................... 7,395 544,874

NET INCOME .......................................................................................... $ 1,011,407

Note: Allowances for depreciation and amortization of property, plant and equipment aggregating $2,099,967 (including $37,048 amortization of pasture improvements) are deducted in the above consolidated income account.

CONSOLIDATED SURPLUS ACCOUNTS
For the Year Ended June 30, 1947

EARNED SURPLUS-SINCE JUNE 30, 1933

Consolidated earned surplus, July 1, 1946 ................................................. $ 3,875,000
Consolidated net income for the year ended June 30, 1947, as annexed ......................................................... 1,011,407

Consolidated earned surplus, June 30, 1947 (Note H) .................................. $ 4,886,407

CAPITAL SURPLUS

The consolidated capital surplus of United States Sugar Corporation and its wholly-owned subsidiaries is identical with that of the United States Sugar Corporation alone, as shown in the accompanying statement.

The accompanying notes are an integral part of the above consolidated income and surplus accounts.
## Working Assets:

**Current assets:**
- Demand deposits in banks and cash on hand: $2,624,281
- Accounts receivable (considered collectible):
  - Trade: $40,455
  - Other: $68,798
  - Total accounts receivable: $109,253
- Inventories:
  - Commissary merchandise, beef cattle, food and beverages, at the lower of cost or market: $380,562
  - Molasses, at estimated realizable value: $445,595
  - Total current assets: $826,157

**Other working assets:**
- Operating supplies, at average cost: $509,495
- Growing crops:
  - Unamortized cost of planting and cultivation to first harvest ($518,486 applicable to current growing season): $1,067,579
  - Growing season expenses: $1,157,187
  - Total working assets: $3,559,691

## Investments and Other Assets:
- Land contracts and mortgages receivable (Note C): $142,313
- Claims for refund of federal taxes on income (Note D): $106,948
- Miscellaneous investments and advances: $78,880
- Membership in New York Coffee and Sugar Exchange, Inc., at nominal amount: $1,328,142

**Purified Cattle, at cost:**
- $61,096

**Real Estate Held for Sale or Rental,** at amounts assigned based upon appraised reproduction cost or sound amounts as at June 30, 1934, with subsequent additions at cost:
- Lots, acreage and golf course: $409,037
- Dwellings and other buildings:
  - Reserves for depreciation: $244,907
  - Total real estate held for sale or rental: $653,944

**Property, Plant and Equipment (Notes B and C):**
- Land: $5,608,989
- Buildings, machinery and equipment:
  - Reserves for depreciation: $4,739,482
  - Total buildings, machinery and equipment: $7,388,474
- Buildings, machinery and equipment on certificate of necessity, at cost:
  - Reserves for amortization: $2,370,355
  - Total buildings, machinery and equipment on certificate of necessity: $5,530,828
- Pasture improvements, at cost, less amortization of $88,661: $59,531
- Construction in progress, at cost: $188,962

**Intangible Assets:**
- Process rights license, at cost, less amortization of $8,369: $86,481
- Patent rights, at nominal amount: $1

**Deferred Expenses:**
- Prepaid insurance ($255,865), interest, etc.: $258,115
- Refinancing expenses, less amortization of $72,520: $331,865
- Other: $20,182

**Total:** $23,234,096

The accompanying notes are an integral part of the above balance sheet.
SUGAR CORPORATION

Owned Subsidiaries

SHEET, AS AT JUNE 30, 1947

**LIABILITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments due within one year on mortgage note payable to Reconstruction</td>
<td>$ 3,015,069</td>
</tr>
<tr>
<td>Finance Corporation (Note C)</td>
<td>47,959</td>
</tr>
<tr>
<td>Notes payable, due within one year</td>
<td>$ 189,017</td>
</tr>
<tr>
<td>Accounts payable:</td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td></td>
</tr>
<tr>
<td>Insurance premiums due within one year (notes issued therefor on July</td>
<td></td>
</tr>
<tr>
<td>1, 1947)</td>
<td>$ 30,566</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$ 49,560</td>
</tr>
<tr>
<td>Federal taxes on income, year ended June 30, 1947, estimated (Note D)</td>
<td></td>
</tr>
<tr>
<td>Accrued expenses:</td>
<td></td>
</tr>
<tr>
<td>Taxes, other than income taxes</td>
<td>$ 323,820</td>
</tr>
<tr>
<td>Salaries, wages and other</td>
<td>$ 148,791</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$ 4,357,292</td>
</tr>
</tbody>
</table>

| Notes and accounts payable, noncurrent:                                     |              |
| Notes                                                                      | $ 53,051     |
| Account's                                                                   | 14,850       |
| Insurance premiums (notes issued therefor on July 1, 1947)                  | 91,697       |
| Mortgage note payable, 4 pet., Reconstruction Finance Corporation, payable  |              |
| $1,675,000 on June 1 of each year, balance due July 1, 1950, with provisions for accelerated payments based upon earnings and/or depreciation and amortization deductions (Note C) | $ 5,187,372  |
| Less, Amount included in current liabilities                               | 3,015,069    |
| Deferred income                                                            |              |
| For unadjusted management compensation (Note E)                            | $ 165,000    |
| For losses on growing crops (Note F)                                       | 185,741      |
| Contingent liabilities (Note G)                                             |              |

**CAPITAL AND SURPLUS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital stock (Note H):</td>
<td></td>
</tr>
<tr>
<td>Preferred, no par value, cumulative dividends $5 per share, callable at $100</td>
<td></td>
</tr>
<tr>
<td>per share plus accrued dividends:</td>
<td></td>
</tr>
<tr>
<td>Authorized 50,000 shares; issued and outstanding 21,450 shares, exclusive</td>
<td>$ 2,145,000</td>
</tr>
<tr>
<td>of 167 shares redeemed</td>
<td></td>
</tr>
<tr>
<td>Preferred, Series A $25 per value, 6.4 pet. cumulative participating</td>
<td></td>
</tr>
<tr>
<td>convertible, callable at $27.50 per share (involuntary liquidation $25 per</td>
<td></td>
</tr>
<tr>
<td>share) plus accrued dividends:</td>
<td></td>
</tr>
<tr>
<td>Authorized 200,000 shares; issued and outstanding 117,023 shares, exclusive</td>
<td></td>
</tr>
<tr>
<td>of 11,391 shares retired by conversion</td>
<td>$ 2,925,575</td>
</tr>
<tr>
<td>Common stock, $1 par value:</td>
<td></td>
</tr>
<tr>
<td>Authorized 6,000,000 shares; issued and outstanding 1,586,436 shares</td>
<td></td>
</tr>
<tr>
<td>(490,827 shares reserved for conversion)</td>
<td>$ 1,586,436</td>
</tr>
<tr>
<td>Capital surplus, as annexed</td>
<td></td>
</tr>
<tr>
<td>Excess of subsidiaries' recorded net assets, at date of acquisition, over</td>
<td></td>
</tr>
<tr>
<td>amounts assigned to 40,000 shares of common stock issued for the</td>
<td>472,165</td>
</tr>
<tr>
<td>subsidiaries' shares (Note A)</td>
<td></td>
</tr>
<tr>
<td>Earned surplus, since June 30, 1933, as annexed (Note H)</td>
<td>4,886,407</td>
</tr>
<tr>
<td>Less, Treasury stock, at cost:</td>
<td></td>
</tr>
<tr>
<td>Preferred stock, no par value, 10 shares</td>
<td>$ 923</td>
</tr>
<tr>
<td>Preferred stock, Series A, 290 shares</td>
<td>7,813</td>
</tr>
<tr>
<td>Common stock, 9,801 shares</td>
<td>74,305</td>
</tr>
<tr>
<td>Total</td>
<td>16,181,972</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the above balance sheet.
NOTE A: As at June 30, 1947, the Corporation’s equity in the net assets of its subsidiaries, as shown by their records was $543,702 in excess of the amount at which the investments were carried by the parent company. Upon consolidation $472,165 of this excess was credited to a special surplus account and $71,537, representing net earnings of subsidiaries since date of acquisition (less dividends paid to parent, $6,125) was credited to earned surplus.

NOTE B: The amounts for property, plant and equipment, other than facilities on certificate of necessity, of the Corporation are those assigned thereto as at December 8, 1931, with respect to the assets acquired in the reorganization of the predecessor company, plus subsequent additions at cost, less retirements at cost or assigned amounts, as carried in the accounts. The assigned amounts at December 8, 1931 were less than those carried on the books of the predecessor company. The amount of $322,346 for property, plant and equipment of subsidiary companies as at June 30, 1947 is stated substantially at cost. The amount is based upon appraised reproductive amounts as at June 30, 1934, with subsequent additions at cost.

The Corporation has elected to amortize the cost of facilities constructed under a certificate of necessity, over a period of sixty months, as permitted under the Internal Revenue Code, and the reserve for amortization has been provided on this basis in the accompanying financial statements.

NOTE C: All property, plant and equipment owned by the Corporation, the mortgages and notes receivable from two subsidiaries, aggregating $175,000, all of the stocks of the Corporation’s wholly-owned subsidiaries, and the Corporation’s land contracts and mortgages receivable have been assigned to Reconstruction Finance Corporation as collateral to the loan.

The loan agreement provides, among other things, that the Corporation will not, without the prior written consent of Reconstruction Finance Corporation, permit its liabilities (including the liability under the loan) and the liabilities of its subsidiaries, to exceed the sum of its working assets, plus $3,500,000. Reference is made to Note H for restrictions as to dividend payments.

NOTE D: Federal taxes on income for the years ended June 30, 1944, 1945 and 1946 have been examined by the Revenue Agent but the results of the examination have not been disclosed. It is the position of the Corporation that there are no additional tax liabilities for those years and no provision has been made therefor in the accompanying financial statements.

Claims for refunds of all taxes in respect of the years ended June 30, 1943 and 1944 have been filed under the carry-back provisions of the Internal Revenue Code. Pending determination of the tax liabilities for all prior years, these claims have been classified as noncurrent assets.

NOTE E: A reserve for unadjusted management compensation of $165,000 has been provided for amounts claimed but not conceded in respect of services rendered by Bitting, Incorporated, prior to June 30, 1946.

NOTE F: For the year ended June 30, 1947, charges in lieu of amortization on cane plantings extending beyond four years which were credited to the reserve for losses on growing crops amounted to $131,653. Losses charged to the reserve amounted to $41,814.

NOTE G: The Corporation is contingently liable under the following contracts and agreements:

(a) A guarantee agreement with the Sugarland Drainage District for the principal and interest on outstanding bonds of the district in the principal amount of $170,000. The sugar house and certain other facilities of the Corporation are situated in this district. No payments have been required under this guarantee.

(b) An agreement to deposit with the fiscal agent for $430,000 of Ritta Drainage District bonds, the sum of $24,000 as a special reserve to guarantee the payment of principal and interest on the bonds, and to reimburse the reserve fund for any withdrawals during the life of the bonds. As at June 30, 1947, the deposit had been made and no further payments had been required, The Corporation is a substantial land owner in this district.
NOTES TO FINANCIAL STATEMENTS- (Continued)

(c) A contract with Clewiston Hotels Company, a subsidiary, indemnifying that Company for any loss sustained annually in the operation of Clewiston Inn.

(d) An agreement with a stockholder, expiring July 1, 1950, to register and qualify, upon request of the stockholder, 14,097 shares of preferred stock, no par value, for sale to the public, and to pay the expenses of such registration and qualification.

Note H: Cumulative dividends in arrears as at June 30, 1947, were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares/Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred, no par value, $10 per share on 7,343 shares</td>
<td>14,097 shares</td>
</tr>
<tr>
<td>Preferred, Series A, $3.2888 per share on 116,733 shares</td>
<td>Total</td>
</tr>
<tr>
<td>Total</td>
<td>$804,196</td>
</tr>
</tbody>
</table>

Under the terms of the loan agreement referred to in Note C, 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.

The Certificate of Incorporation makes provision for a sinking fund for the retirement of Preferred Stock, Series A, based upon earnings after declaration or payment of accumulated unpaid dividends. In view of the terms of the loan agreement, the sinking fund provisions are presently not operative.

At June 30, 1947, there were in the treasury 290 shares of Preferred Stock, Series A, purchased prior to the loan agreement in anticipation of sinking fund requirements.

Common stock dividends are further subject to (a) prior dividend rights of preferred stock, (b) no default existing with respect to the sinking fund, and (c) the maintenance of specified amounts of net working assets and capital.

Note I: Loss from starch operations for the year ended June 30, 1947, included in the accompanying income account was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of starch and by-products</td>
<td>$374,414</td>
</tr>
<tr>
<td>Cost of starch operations, exclusive of amortization of facilities on certificate of necessity</td>
<td>795,768</td>
</tr>
<tr>
<td>Loss</td>
<td>$421,354</td>
</tr>
</tbody>
</table>

Starch operations, except for continuation of research and pilot plantings, were discontinued in March, 1947; see page 4 of the President’s letter to stockholders.
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE 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 wholly-owned subsidiary companies as at June 30, 1947, and the related surplus and income accounts 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 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.

In our opinion, the accompanying balance sheets and related surplus and income accounts present fairly the position of United States Sugar Corporation, and the consolidated position of United States Sugar Corporation and its wholly-owned subsidiary companies as at June 30, 1947, and the results of operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

Detroit, Michigan,
September 5, 1947