SEVENTEENTH ANNUAL REPORT
JUNE 30, 1948

United States Sugar Corporation

OFFICERS

CHARLES STEWART MOTT
Chairman of the Board

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

ROY E. BROWNELL
PATRICK BUTLER
J. DOUGLAS CASEY
WILLIAM G. DEWITT
JOHN G. GETZ, JR. (2)
HAMISH MITCHELL (2)

C. S. HARDING MOTT (1)
CHARLES STEWART MOTT (1)
JOSHD. 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 6.4% 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:

On April 28, 1948, the Corporation completed its seventeenth harvest producing 71,380 tons of 96” raw sugar and 4,457,000 gallons of blackstrap molasses. Administration cane ground totaled 731,889 tons and purchased cane 72,513 tons.

As previously reported, in supplemental report dated October 2, 1947, distributed with Annual Report for last year, on September 17 and 18, 1947, a tropical hurricane visited the property of the Corporation with wind velocity of approximately 80 to 100 miles per hour. The hurricane was preceded, accompanied and followed by very heavy rainfall, which in some areas reached a maximum of 17 inches.

The average rainfall for the entire property for the growing season and harvest season was 75.59 inches which is the highest in the Corporation’s history.

Due to high water and failure of levees the Corporation suffered a loss of approximately 1,700 acres of cane which would have been available for the 1947-1948 harvest, a high percentage of which must be replanted. In addition over 900 acres of new plant cane was destroyed, all of which has been replanted.

It is estimated that conditions mentioned above caused a loss in tons of cane of approximately 15% and loss of 96” raw sugar of approximately 20%.

This, together with damage sustained through hurricane and high water, seriously affected the earnings of the Corporation for the year ended June 30, 1948.

Another factor that affected earnings was the decline in the price of sugar which reduced income approximately $581,887 on sugar produced, as compared with the previous year.
Also, as is well known, the cost of labor, freight and supplies has increased substantially; to off set these increases the Corporation is making every effort possible to reduce operating costs.

Considerable success has already been achieved by the use of weedicides for the control of weeds thereby reducing the cost of hand labor. New tools have been developed for the cultivation of cane which, as of this date, appear to be successful.

Other operations are being given consideration and machinery developed to do mechanically what is now being done by hand labor.

In a further effort to reduce operating costs an agreement has been entered into with Glades Electric Cooperative, Inc., whereby your Corporation agreed to purchase electric energy from the Cooperative during the period of high operating costs and sell to it excess electric energy during the harvest season when operating costs are lower.

The cattle project is developing satisfactorily and it is believed that this project will in time be a factor in the earnings of the Corporation. Under our climatic conditions, our experience to date shows that a cross-breed between the Rrahma and purebred beef type of cattle are, on the average, much more vigorous and develop more rapidly. A breeding herd of this type is being built up.

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 venture. It is hoped this project will prove beneficial to your Corporation.

The loan from Reconstruction Finance Corporation, in which twelve banks participated to the extent of 50%, has been outlined in previous reports. The loan was dated July 1, 1945, in the amount of $7,500,000. As at June 30, 1948, payments on principal of $3,860,071 have been made leaving a balance of $3,639,929 on said date. All interest maturities have been paid.

The Ohio Oil Company has renewed their lease for oil, gas and sulphur rights, for another year from June 15, 1948.
Attention is again directed to the fact that the Corporation is engaged in agricultural production subject to all hazards of agriculture in the territory in which the operations of your Corporation are conducted. At various times in the past, tropical disturbances, subnormal temperatures and flood conditions, have affected earnings of the Corporation; these with other unforeseen conditions cannot be predicted.

The Annual Meeting of Stockholders is scheduled to be held in accordance with the By-Laws, at 12 o’clock noon, October 19, 1948, at 100 West 10th Street, Wilmington, Delaware.

The Board of Directors has fixed September 17, 1948, as the record date for determination of holders of Common Stock and Series A Preferred Stock entitled to notice of and 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 Meeting of Stockholders will be receipt of 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.

The Board of Directors desires to bring to the attention of the Stockholders their appreciation for the loyal and efficient service of the operating organization, especially their efforts to reduce costs under very adverse conditions.

By order of the Board of Directors.

[Signature]

President
UNITED STATES SUGAR CORPORATION

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

JUNE 30, 1948
## BALANCE SHEET, APRIL 30, 1929

(Parent Company a’)

### ASSETS

#### WORKING) ASSETS:

Current assets:
- Demand deposits in banks and cash on hand $2,874,444
- Accounts receivable (considered collectible):
  - Trade $37,525
  - Other $58,290
  - Other $95,815

Inventories:
- Commissary merchandise and beef cattle, at the lower of cost or market $422,547
- Molasses, at estimated realizable amount $264,223

Total current assets $3,657,029

Other working assets:
- Operating supplies, at average cost $369,260
- Growing crops:
  - Unamortized cost of planting and cultivation to first harvest ($488,419 applicable to current growing season) $1,175,296
  - Growing season expenses 856,350

Total working assets $6,057,935

#### INVESTMENTS AND OTHER ASSETS:

Wholly-owned subsidiaries (Notes A and C):
- Capital stock $240,896
- Mortgage notes and accounts receivable 233,765

Land contracts and mortgage notes receivable (Note C) 474,661
- Claims for refund of federal taxes on income (Note D) 100,000
- Miscellaneous investments and advances 54,063
- Membership in New York Coffee and Sugar Exchange, Inc., at nominal amount 655,566

**PUREBRED CATTLE,** at cost, less $2,877 reserve for depreciation 61,064

#### PROPERTY, PLANT AND EQUIPMENT (Notes B and C):

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Reserves</th>
<th>Amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$8,444,827</td>
<td>$4,970,983</td>
<td>3,473,844</td>
</tr>
<tr>
<td>Buildings, machinery and equipment</td>
<td>3,754,605</td>
<td>3,754,605</td>
<td></td>
</tr>
<tr>
<td>Pasture improvements, at cost</td>
<td>$49,609</td>
<td>15,814</td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>12,913,299</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### INTANGIBLES ASSETS:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Reserves</th>
<th>Amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process rights license, at cost, less amortization of $13,949</td>
<td>$80,901</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Patent rights, at nominal amount</td>
<td>80,902</td>
<td></td>
<td></td>
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</tbody>
</table>

#### DEFERRED EXPENSES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Reserves</th>
<th>Amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid insurance ($181,484), interest, etc.</td>
<td>$184,388</td>
<td>89,668</td>
<td></td>
</tr>
<tr>
<td>Water control improvements, less amortization of $14,594</td>
<td>26,881</td>
<td>300,937</td>
<td></td>
</tr>
</tbody>
</table>

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

CURRENT LIABILITIES:
Payments due within one year on mortgage note payable to Reconstruction Finance Corporation (Note C) $ 2,468,334
Notes payable, due within one year 55,253
Accounts payable:
   Trade $ 153,041
   Other 25,659
   Subsidiaries 53
Estimated federal taxes on income, prior years (Note E) 323,996
   Less, Estimated federal taxes on income, refundable 175,000 148,996
Accrued expenses:
   Taxes, other than income taxes $ 315,801
   Salaries, wages and other 105,159
Total current liabilities $ 3,272,296

NOTES PAYABLE, noncurrent
Mortgage note payable, 4 pet., Reconstruction Finance Corporation (Note C) $ 3,639,929
   Less, Amount included in current liabilities 2,468,334 1,171,595

RESERVE FOR UNADJUSTED MANAGEMENT COMPENSATION (Note F) 165,000

CONTINGENT LIABILITIES (Note G)

CAPITAL AND SURPLUS

CAPITAL STOCK (Note H):
Preferred, no par value, cumulative dividends $5 per share, callable at $100 per share plus accrued dividends:
   Authorized 50,000 shares; issued and outstanding 21,450 shares, exclusive of 167 shares redeemed $ 2,145,000
Preferred, Series A $25 par value, 6.4 pet. cumulative participating convertible, callable at $27.50 per share (involuntary liquidation $25 per share) plus accrued dividends:
   Authorized 200,000 shares; issued and outstanding 117,023 shares, exclusive of 11,391 shares retired by conversion 2,925,575
Common, $1 par value:
   Authorized 5,000,000 shares; issued and outstanding 1,586,436 shares (490,827 shares reserved for conversion) 1,586,436

CAPITAL SURPLUS (no change during year) 4,249,438

EARNED SURPLUS, since June 30, 1933:
Earned surplus, July 1, 1947 $ 4,814,870
   Less transferred to earned surplus, as annexed 252,985
Earned surplus, June 30, 1948 (Note H) 4,561,925
   Less, Treasury stock, at cost:
      Preferred, no par value, 10 shares $ 923
      Preferred, Series A, 290 shares 7,813
      Common, 9,801 shares 74,305 83,041
   15,405,335
   20,069,703

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, 1948
(Parent Company alone)

Net sales and operating revenues (including U. S. Government benefit payment of $547,333) .......................................................... $10,977,413

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

- Purchases, labor, supplies, production expenses, taxes, repairs and maintenance, etc., including amortization of growing crops (Note I) ........................................... $ 8,551,171
- Selling, administrative and general expenses ........................................... 548,737

Amortization of facilities on certificate of necessity (Note B) ....................... $ 1,529,015

Less, Amortization applicable to facilities not used in operations, deducted below .......................................................... 803,599

Profits from operations .......................................................................... $ 1,152,089

Other income:

- Discounts and interest earned ............................................................ $ 36,523
- Rental under lease of oil, gas and sulphur rights ..................................... 24,790
- Profit on sales of land ........................................................................ 25,510
- Miscellaneous ................................................................................... 5,234

Total Other Income .................................................................................. $ 92,057

Other deductions:

- Interest expense ................................................................................ $ 199,170
- Loss resulting from hurricane and high water ........................................ $ 490,826
  - Less, Amount charged to reserve for growing crops (Note I) .................. 233,374
  - Loss on uncollectible mortgage notes receivable ................................... 82,596
  - Loss on sales of starch plant equipment ............................................. 83,430

Expenses of facilities on certificate of necessity, not used in operations:

- Amortization ....................................................................................... $ 803,599
- Maintenance and taxes ........................................................................ 18,294

Amortization of refinancing expenses ...................................................... 26,687

Miscellaneous ....................................................................................... 5,853

Loss before estimated refund of federal taxes on income ......................... $ 232,955

Estimated refund of federal taxes on income .......................................... 175,000

Net loss for the year ................................................................................ $ 57,955

Provision for federal taxes on income, prior years (Note E) ..................... 175,000

Loss transferred to earned surplus ................................................................ $ 232,955

Note: Allowances for depreciation and amortization of property, plant and equipment aggregating $1,932,657 are deducted in the above income account.

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

CONSOLIDATED INCOME ACCOUNT
For the Year Ended June 30, 1948

Net sales and operating revenues (including U. S. Government benefit payment of $547,333) .................................................. $11,243,428

Costs of sales and operating expenses (excluding amortization of facilities on certificate of necessity):
  Purchases, labor, supplies, production expenses, taxes, repairs and maintenance, etc., including amortization of growing crops (Note I) ................. $8,806,112
  Selling, administrative and general expenses ........................................ 575,550

Amortization of facilities on certificate of necessity (Note B) ......................... $1,529,015

Less, Amortization applicable to facilities not used in operations, deducted below .................................................. 803,599

Profit from operations ........................................................................ $1,136,350

Other income:
  Discounts and interest earned ........................................ 38,142
  Rental under lease of oil, gas and sulphur rights .............. 24,790
  Profit on sales of land by parent company .................. 25,510
  Miscellaneous .......................................................... 5,529

Other deductions:
  Interest expense ....................................................... $199,461
  Loss resulting from hurricane and high water ........... 490,826
    Less, Amounts charged to reserve for growing crops (Note I) 233,374 257,452
  Loss on uncollectible mortgage notes receivable .......... 82,596
  Loss on sales of starch plant equipment ...................... 83,430
  Expenses of facilities on certificate of necessity, not used in operations:
    Amortization .......................................................... $803,599
    Maintenance and taxes ........................................... 18,294 821,893
  Amortization of refinancing expenses ......................... 26,687
  Miscellaneous .......................................................... 6,412

Loss before estimated refunds of federal taxes on income .................. $247,610

Estimated refunds of federal taxes on income:
  Parent company ................................................. $175,000
  Subsidiaries .......................................................... 758 175,758

Net loss for the year ..................................................................... $71,852

Provision for federal taxes on income, prior years (Note E) ............. 175,000

Loss transferred to earned surplus ................................................ $246,852

Note: Allowances for depreciation and amortization of property, plant and equipment aggregating $1,958,826 are deducted in the above consolidated income account.

The accompanying notes are an integral part of the above consolidated income account.
WORKING ASSETS:

Current assets:
- Demand deposits in banks and cash on hand ........................................ $1,175,296
- Accounts receivable (considered collectible):
  - Trade ........................................................................................................ $437,572
  - Other ......................................................................................................... 264,223
- Inventories:
  - Commissary merchandise, beef cattle, food and beverages, at the lower of cost or market ........................................... $437,572
  - Molasses, at estimated realizable amount ........................................... 264,223
- Total current assets ..................................................................................... $1,733,929

Other working assets:
- Operating supplies, at average cost ......................................................... $373,401
- Growing crops:
  - Unamortized cost of planting and cultivation to first harvest ($488,419 applicable to current growing season) ........................................... $1,175,296
  - Growing season expenses ........................................................................ 856,350
- Total working assets ..................................................................................... $6,173,322

INVESTMENTS AND OTHER ASSETS:
- Land contracts and mortgage notes receivable (Note C) ......................... $65,183
- Claims for refund of federal taxes on income:
  - Parent company (Note D) ....................................................................... $100,000
  - Subsidiaries ....................................................................................... 8,005
- Miscellaneous investments and advances .................................................. 74,238
- Membership in New York Coffee and Sugar Exchange, Inc., at nominal amount ................................................................. 1

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 ................................................................... $403,214
- Dwellings and other buildings .................................................................. $382,846
- Reserves for depreciation ........................................................................... 243,299
- Membership in New York Coffee and Sugar Exchange, Inc., at nominal amount ................................................................. 1

PROPERTY, PLANT AND EQUIPMENT (Notes B and C):
- Land ........................................................................................................... $5,444,815
- Buildings, machinery and equipment ....................................................... $8,752,050
- Reserves for depreciation ........................................................................... 3,664,525
- Buildings, machinery and equipment on certificate of necessity, at cost ................................................................. $7,509,210
- Reserves for amortization ........................................................................... 3,754,605
- Pasture improvements, at cost, less amortization of $98,583 ................... 49,609
- Construction in progress, at cost .............................................................. 15,814

INTANGIBLE ASSETS:
- Process rights license, at cost, less amortization of $13,949 .................... $13,949
- Patent rights, at nominal amount ................................................................. 80,901

DEFERRED EXPENSES:
- Prepaid insurance ($196,219), interest, etc. ............................................ $196,219
- Water control improvements, less amortization of $14,594 .................... 89,668
- Refinancing expenses, less amortization of $99,206 ............................... 316,944

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

Owned Subsidiaries

SHEET, AS AT JUNE 30, 1948

LIABILITIES

<table>
<thead>
<tr>
<th>CURRENT LIABILITIES</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments due within one year on mortgage note payable to Reconstruction Finance Corporation (Note C)</td>
<td>$2,683,344</td>
<td>59,105</td>
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<tr>
<td>Notes payable, due within one year</td>
<td>$159,704</td>
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<td>Accounts payable:</td>
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<td></td>
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<tr>
<td>Trade</td>
<td>$159,704</td>
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<tr>
<td>Other</td>
<td>$27,663</td>
<td>187,367</td>
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<tr>
<td>Federal taxes on income:</td>
<td>$324,396</td>
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<tr>
<td>Parent company, prior years, estimated (Note E)</td>
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<tr>
<td>Subsidiaries</td>
<td></td>
<td></td>
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<tr>
<td>Less, Estimated federal taxes on income, refundable</td>
<td>$324,396</td>
<td>149,339</td>
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<tr>
<td>Accrued expenses:</td>
<td></td>
<td></td>
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<tr>
<td>Taxes, other than income taxes</td>
<td>$342,190</td>
<td>448,383</td>
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<tr>
<td>Salaries, wages and other</td>
<td>106,193</td>
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<tr>
<td>Total current liabilities</td>
<td></td>
<td>$3,312,528</td>
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<tr>
<td>Noncurrent</td>
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<td>62,963</td>
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<tr>
<td>MORTGAGE NOTE PAYABLE, 4 pet., Reconstruction Finance Corporation (Note C)</td>
<td>$3,209,929</td>
<td>1,171,595</td>
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<tr>
<td>Less, Amount included in current liabilities</td>
<td>$2,408,334</td>
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<td>DEFERRED INCOME</td>
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<td>8,379</td>
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<td>RESERVE FOR UNADJUSTED MANAGEMENT COMPENSATION (Note F)</td>
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<td>165,000</td>
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<td>CONTINGENT LIABILITIES (Note G)</td>
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<td></td>
</tr>
</tbody>
</table>

CAPITAL AND SURPLUS

CAPITAL STOCK (Note H):
- Preferred, no par value, cumulative dividends $5 per share, callable at $100 per share plus accrued dividends: Authorized 50,000 shares; issued and outstanding 21,450 shares, exclusive of 167 shares redeemed | $2,145,000 |
- Preferred, Series A $25 par value, 6.4 pet. cumulative participating convertible, callable at $27.50 per share (involuntary liquidation $25 per share) plus accrued dividends: Authorized 200,000 shares; issued and outstanding 117,023 shares, exclusive of 11,391 shares retired by conversion | 2,925,575 |
- Common, $1 par value: Authorized 6,000,000 shares; issued and outstanding 1,586,436 shares (490,827 shares reserved for conversion) | 1,586,486 |

Total | $6,657,011 |
|
CAPITAL SURPLUS (no change during year) | 4,249,430 |

EXCESS OF SUBSIDIARIES' RECORDED NET ASSETS, at date of acquisition! over amount assigned to 40,000 shares of common stock issued for the subsidiaries' shares (Note A) | 472,165 |

EARNED SURPLUS, since June 30, 1933:
- Earned surplus, July 1, 1947 | $4,886,407 |
- Loss transferred to earned surplus, as annexed | 446,832 |
- Earned surplus, June 30, 1948 (Note H) | 4,639,555 |

Less, Treasury stock, at cost:
- Preferred, no par value, 10 shares | $923 |
- Preferred, Series A, 290 shares | 7,813 |
- Common, 9,801 shares | 74,305 |

Total | 83,041 |
|
THE ACcompanying notes are an integral part of the above consolidated balance sheet.

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UNITED STATES SUGAR CORPORATION
(a Delaware corporation)
And Its Wholly-Owned Subsidiaries
NOTES TO FINANCIAL STATEMENTS
June 30, 1948

NOTE A: As at June 30, 1948, the Corporation's equity in the net assets of its subsidiaries, as shown by their records, was $529,785 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 $57,620, 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 $332,611 for property, plant and equipment of subsidiary companies as at June 30, 1948, is stated substantially 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 reserves for amortization have been provided on this basis in the accompanying financial statements.

NOTE C: Under the terms of a modification agreement executed with the Reconstruction Finance Corporation on July 7, 1948, the principal balance of the mortgage note is payable $500,000 on February 1, 1949, $1,675,000 on June 1, 1949, and the balance on July 1, 1950, with provisions for accelerated payments based upon earnings and/or depreciation and amortization deductions.

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 for 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: The claims for refund of federal taxes on income for prior years have been examined by the Treasury Department, and the Department has proposed to reduce the amounts of the claims to $19,030. The Corporation has protested this proposal and is of the opinion that no reduction will be required upon final settlement of the claims.

NOTE E: The Treasury Department has proposed an assessment of federal taxes on income for the year ended June 30, 1946, in the amount of $258,797, resulting primarily from the disallowance of the basis used for computing gains and losses on sales of land. If the proposed assessment is sustained, approximately $212,000 additional tax will be assessed for the year ended June 30, 1947.

The Corporation has protested the findings of the Treasury Department and believes that the liability for federal taxes on income for prior years shown in the accompanying balance sheet should be sufficient to provide for all prior years' federal taxes on income.

NOTE F: Bitting, Incorporated, Clarence R. Bitting and William T. Bitting have instituted a suit against the Corporation to recover $318,250 as compensation for services alleged to have been rendered to the Corporation prior to June 30, 1946. The Corporation has filed an answer denying that there is due and owing the sum of money alleged, or any other sum of money, and has also filed a counterclaim against Bitting, Incorporated and Clarence R. Bitting. The liability of the Corporation, if any, is not now determinable, but it is not considered necessary to change the amount of $165,000 provided in a previous year.
Note G: The Corporation is contingently liable under the following contracts and agreements:

(a) A guarantee agreement with Sugarland Drainage District for the principal and interest on outstanding bonds of the district in the principal amount of $165,500. 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 the sum of $24,000 as a special reserve to guarantee the payment of principal and interest on $430,000 of Ritta Drainage District bonds, and to reimburse the reserve fund for any withdrawals during the life of the bonds. As at June 30, 1948, the deposit had been made and no further payments had been required. The Corporation is a substantial land owner in this district.

(c) 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, 1948, were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares/Par Value</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred, no par value, $15 per share</td>
<td>7,343 shares</td>
<td>$327,474</td>
</tr>
<tr>
<td>Preferred, Series A, $4.8888 per share</td>
<td>116,733 shares</td>
<td>$570,694</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$898,168</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, 1948, 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: Charges and credits to the reserve for growing crops for the year ended June 30, 1948, were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve balance, July 1, 1947</td>
<td>$185,741</td>
</tr>
<tr>
<td>Allowances in lieu of amortization on cane plantings extending beyond four years, charged to costs</td>
<td>$110,675</td>
</tr>
<tr>
<td>Losses on cane field abandonments and $233,374 representing a portion of the loss resulting from hurricane and high water</td>
<td>$296,416</td>
</tr>
</tbody>
</table>

Reserve balance, June 30, 1948 ........................................................................... $ -
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, 1948, and the related 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 and included all procedures which we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and related 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, 1948, 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
August 27, 1948