NINETEENTH ANNUAL REPORT
JUNE 30, 1950

United States Sugar Corporation

OFFICERS

CHARLES STEWART MOTT
Chairman of the Board

CHARLES E. WETHERALD. ......................... President
HARRY T. VAUGHN. ............................ Executive Vice-President
MALCOLM W. BIGG. ............................ Secretary and Treasurer
FOREST P. TRALLES. ............................ General Counsel
DR. B. A. BOURNE. ............................ Vice-President, Research
C. A. MARTINEZ. ............................. Vice-President, Sugar House
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
S. K. SWAYNE. ............................... Assistant Treasurer
BOARD OF DIRECTORS

ROY E. BROWNELL

PATRICK BUTLER

J. DOUGLAS CASEY

WILLIAM G. DE WITT\(^{(2)}\)

JOHN G. GETZ, JR.

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\(^{(1)}\)

HARRY T. VAUGHN

NEWELL B. WALLACE

CHARLES E. WETHERALD\(^{(1)}\)

\(^{(1)}\) Member of Executive Committee.
\(^{(2)}\) Member of Audit Committee.

TRANSFER AGENTS

THE CORPORATION TRUST COMPANY,
Wilmington, Del.

REGISTRARS

BANKERS TRUST COMPANY,
New York, N. Y.

CHEMICAL BANK & TRUST COMPANY,
New York, N. Y.

EQUITABLE TRUST COMPANY,
Wilmington, Del.
To the Stockholders:

For the fiscal year ended June 30, 1950, your Corporation ground 874,333 tons of administration cane and 104,768 tons of purchased cane from which there were produced 91,725 tons of 96" raw sugar and 5,588,000 gallons of blackstrap molasses.

The Corporation also produced and sold, as a by-product from sugar operations, 8,504 tons of dehydrated bagasse. This product will be marketed in the future under the trade name of “Floor-Kane”.

As reported in last year’s Annual Report a severe hurricane occurred on August 26, 1949, and freezing temperatures were experienced on November 26, 1949. It is a conservative estimate that the damage resulting from the hurricane and freeze reduced the production of sugar by 5,000 tons.

The Income Account in this report shows net income of $2,149,037 before federal income taxes as against a loss of $430,249 for the previous year. The improvement is principally due to the additional tons of cane harvested and the increase in yield of sugar per ton of cane over the previous year. The yield for the 1949-1950 crop was 9.39% as against 7.93% for the previous year.

Processing taxes for sugar produced and sold during the fiscal year ended June 30, 1950, amounted to $921,945 and benefit payment received and shown in the Income Account in this report was $592,452 or an excess in processing taxes of $329,493 over benefit payment received.

As of June 30, 1950, the cattle herd consisted of 4,329 head, which included 1,016 cows and heifers that were bred this spring, of which approximately 235 are
registered, the balance being a good type grade. This coming spring the Corporation expects to have about 1,500 head of registered and good grade cattle to breed.

The balance of the cattle herd is divided approximately as follows: 243 bull calves and bulls of breeding age, about 1,000 heifer calves and yearlings, 1,200 steers which includes calves and steers up to two years old, and the balance native cows purchased for resale.

The Corporation is now in the process of improving approximately 2,000 additional acres of pasture land. When completed this will give the Corporation approximately 6,000 acres of improved pasture.

The unsecured note, payable to Provident Mutual Life Insurance Company of Philadelphia for $500,000 due September 1, 1949, was paid at maturity date. The remaining two notes for $500,000 each due September 1, 1950, and September 1, 1951, were prepaid as of April 1, 1950.

On or about May 15, 1950, negotiations were entered into with The Mutual Life Insurance Company of New York, whereby it was agreed that the balance of the First Mortgage Loan at June 30, 1950, which at that date was $2,184,315 will be increased to the original amount of the loan, $2,500,000. Mutual further agreed to certain modifications in the existing mortgage, the principal modifications being elimination of the restrictions with reference to distribution to stockholders and an increase from $4,000,000 to $4,500,000 of the Net Working Capital requirement of the Corporation and its subsidiaries. The insurance company further agreed to waive any payment which may become due on October 1, 1950, on principal of the loan, based on net income for the year ended June 30, 1950.

The changes in the First Mortgage, as set forth above, enabled your Corporation to revise its capital structure. At a Special Meeting of Stockholders held May 31, 1950, the Certificate of Incorporation was amended, which provided for the authorization of two new classes of preferred stock, that is, Class B Preferred Stock and Class C Preferred Stock, callable at $31 and $35 per share, respectively, and to bear cumulative dividends from July 1, 1950, at the rate of $1.25 per share, per annum on Class B Preferred Stock and $1.50 per share, per annum on the Class C Preferred Stock. At said meeting, the Corporation was authorized to issue four shares of Class B Preferred Stock in exchange for surrender and cancellation of one share of the Preferred Stock, $5, No Par, together with accrued dividends thereon to June 30, 1950, and one share of the Class C Preferred Stock in exchange
for the surrender and cancellation of one share of the Series A Preferred Stock, together with accrued dividends thereon to June 30, 1950.

At a meeting of the Board of Directors, held May 31, 1950, all shares of the Preferred Stock, $5, No Par and all shares of the Series A Preferred Stock not being exchanged were called for redemption.

As a result of the above, 14,269 shares of the Preferred Stock, $5, No Par, have been exchanged for 57,076 shares of the new Class B Preferred Stock and 92,429 shares of the Series A Preferred Stock is being exchanged for a like number of shares of the new Class C Preferred Stock. Funds have been deposited with the Redemption Agents to redeem the balance, or 7,171 shares of Preferred Stock, $5, No Par, and 24,304 shares of Series A Preferred Stock. The shares of the Preferred Stock, $5, No Par and Series A Preferred Stock exchanged or redeemed are to be cancelled and not reissued.

The financial statements in this report reflect the foregoing changes in the capital structure of the Corporation and the redemption of Preferred Stocks.

The litigation between the Corporation and Bitting, Incorporated, Clarence R. Bitting and William T. Bitting, was terminated and releases executed on August 16, 1950. In connection with the settlement, the Corporation purchased 53,042 shares of its Common Stock for $450,857, and paid $184,000 in cash. In the financial statements included in this report the cash required for the purchase of the Common Stock ($450,857), has been segregated from the Current Assets and is classified as noncurrent; and the $184,000 is included in Other Accounts Payable under Current Liabilities.

The Ohio Oil Company cancelled, as of June 15, 1950, its lease covering oil, gas and sulphur rights on lands of the Corporation.

As of this date the prospects for the coming harvest of sugar cane are good and the tonnage should equal that of last year. This estimate is made without giving consideration to hurricanes, freezes or other occurrences which cannot be predicted.

The Board of Directors desires to express its appreciation for the loyal and efficient service rendered by the operating organization and bring this fact to the attention of the stockholders.
The Annual Meeting of the Stockholders is scheduled to be held in accordance with the By-Laws, at 12 o'clock noon, October 17, 1950, at 100 West 10th Street, Wilmington, Delaware. The Board of Directors has fixed September 18, 1950, as the record date for determination of holders of Common Stock and Class C 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 the 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.

By order of the Board of Directors.

Charles E. Withered

President.
UNITED STATES SUGAR CORPORATION

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

JUNE 30, 1950
WORKING ASSETS:

Current assets:
- Demand deposits in banks and cash on hand, excluding $450,857 classified as noncurrent asset below.......................... $3,580,983
- Time deposits, including accrued interest .................................................. 500,110

Accounts receivable:
- Due from refinery (collected in July, 1950) ........................................... $889,704
- Other trade accounts .................................................................................. 30,197
- Other, less $10,000 reserve for doubtful accounts ........................................ 34,839

Insurance claims receivable............................................................................ 277,064

Inventories:
- Commissary merchandise, beef cattle, etc., at the lower of cost or market .................. $446,523
- Molasses, at estimated realizable amount ....................................................... 175,053

Total current assets ......................................................................................... $5,984,473

Other working assets:
- Operating supplies, at average cost .............................................................. $347,179
- Growing crops:
  - Unamortized cost of planting and cultivation to first harvest ($400,393 applicable to current growing season) $1,070,871
  - Growing season expenses ........................................................................... 652,308

Total working assets ......................................................................................... $8,004,831

INVESTMENTS AND OTHER ASSETS:

Wholly-owned subsidiaries (Notes A and D):
- Capital stock .................................................................................................. $240,896
- Mortgage notes and accounts receivable ......................................................... 216,255

Mortgage notes receivable .................................................................................. $457,151

Refundable federal income taxes, arising from carry-back of losses from years ended June 30, 1948 and 1949 .............................................................. 240,466

Miscellaneous investments and advances ......................................................... 49,392

Membership in New York Coffee and Sugar Exchange, Inc., at nominal amount .......................................................... 1

PROPERTY, PLANT AND EQUIPMENT (Notes B and D):
- Land ............................................................................................................... $8,481,509
- Buildings, machinery and equipment ............................................................. 2,938,668

Reserves for depreciation .................................................................................. 5,542,841

Reserves for amortization .................................................................................. 738,179

Pasture improvements, at cost, less amortization of $118,753 ......................... 90,954

Construction in progress, at cost ................................................................. 9,347,738

INTANGIBLE ASSETS:
- Process rights license, at cost, less amortization of $25,108 ......................... $69,742
- Patent rights, at nominal amount ................................................................... 69,743

DEFERRED EXPENSES:
- Prepaid insurance ($136,600), interest, etc. ............................................... $137,797
- Refinancing expenses, less amortization of $44,578 ................................... 45,423
- Water control improvements, etc., less amortization of $67,646 ................. 222,131

CASH RESERVED FOR PURCHASE OF COMMON STOCK FOR THE TREASURY (Note C) ................................................................. 450,857

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

CURRENT LIABILITIES:

Notes payable for insurance premiums, due within one year $51,980
Accounts payable:
  Trade $139,820
  Other (Note C) 192,878
  Subsidiaries 23
Estimated federal income taxes, year ended June 30, 1950 900,000
Accrued expenses:
  Taxes, other than income taxes $313,101
  Salaries, wages, interest, etc. 143,130
  Total current liabilities $1,740,932

NOTES PAYABLE for insurance premiums, noncurrent 24,119

MORTGAGE NOTE PAYABLE, 4 per., The Mutual Life Insurance Company of New York (Note D) 2,184,315

RESERVE FOR LOSSES ON GROWING CROPS (Note E) 196,398

CONTINGENT LIABILITIES (Note F)

CAPITAL AND SURPLUS

CAPITAL STOCK (Note G):

Class B Preferred, $25 par value, cumulative dividends $1.25 per share:
  Authorized 85,800 shares
  Issued and outstanding 57,076 shares $426,900

Class C Preferred, $25 par value, cumulative dividends $1.50 per share:
  Authorized 117,023 shares
  Issued and outstanding (including 3,410 shares reserved for exchange) 92,429 shares 2,310,725

Common, $1 par value:
  Authorized 5,000,000 shares
  Issued and outstanding 1,586,436 shares 1,586,436

CAPITAL SURPLUS (no change during the year) 4,269,363

EARNED SURPLUS, since June 30, 1933, as annexed (Notes G and H) 5,345,061

$14,858,485

Less, Common stock in treasury, at cost, 2,669 shares 41,592
14,896,893

$19,042,657

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

EARNED SURPLUS, SINCE JUNE 30, 1933
For the Year Ended June 30, 1950
(Parent Company alone)

Earned surplus, July 1, 1949 .............................................. $4,533,138
Add, Net income for the year ended June 30, 1950, as annexed ................ 1,249,037

$5,782,175

Deduct, Excess of amounts paid upon purchase or redemption of preferred shares over the par or stated value thereof (including cancellation of shares of treasury stock reacquired prior to the current year):

Preferred, $5 cumulative, no par value (stated value $100), 7,181 shares. . $179,198
Preferred, Series A, 6.4 per cent. cumulative, $25 par value, 24,594 shares. . 257,916 437,114

Earned surplus, June 30 1950 (Notes G and H) ............ $5,345,061

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

INCOME ACCOUNT  

For the Year Ended June 30, 1950  
(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 $592,452)</td>
<td>$12,000,099</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, repairs and maintenance, etc., including amortization of growing crops (Note E)</td>
<td>$7,665,415</td>
</tr>
<tr>
<td>Selling, administrative and general expenses</td>
<td>734,751</td>
</tr>
<tr>
<td>Amortization of facilities on certificate of necessity (Note B)</td>
<td>$1,478,684</td>
</tr>
<tr>
<td>Less, Amortization applicable to facilities not used in operations, deducted below</td>
<td>729,173</td>
</tr>
<tr>
<td>PROFIT FROM OPERATIONS</td>
<td>749,511</td>
</tr>
<tr>
<td>0 ther income:</td>
<td></td>
</tr>
<tr>
<td>Discounts and interest earned</td>
<td>$67,468</td>
</tr>
<tr>
<td>Profit on sales of land</td>
<td>55,209</td>
</tr>
<tr>
<td>Profit on sales of depreciable assets</td>
<td>14,004</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>8,573</td>
</tr>
<tr>
<td>Other deductions:</td>
<td>$145,054</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$133,859</td>
</tr>
<tr>
<td>Loss resulting from hurricane and high water</td>
<td>40,479</td>
</tr>
<tr>
<td>Less, Amount charged to reserve for growing crops (Note E)</td>
<td>40,479</td>
</tr>
<tr>
<td>Cost of settlement of litigation (Note C)</td>
<td>$184,000</td>
</tr>
<tr>
<td>Less, Amount charged to reserve provided in a prior year</td>
<td>165,000</td>
</tr>
<tr>
<td>Expenses of facilities on certificate of necessity, not used in operations:</td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>$729,173</td>
</tr>
<tr>
<td>Maintenance and taxes</td>
<td>21,029</td>
</tr>
<tr>
<td>Amortization of refinancing expenses</td>
<td>27,799</td>
</tr>
<tr>
<td>Amortization of process rights license</td>
<td>5,579</td>
</tr>
<tr>
<td>INCOME BEFORE ESTIMATED ALLOWANCE FOR FEDERAL INCOME TAXES</td>
<td>$2,149,037</td>
</tr>
<tr>
<td>Estimated allowance for federal income taxes</td>
<td>$900,000</td>
</tr>
<tr>
<td>NET INCOME FOR THE YEAR</td>
<td>$1,249,037</td>
</tr>
</tbody>
</table>

**NOTE:** Allowances for depreciation and amortization of property, plant and equipment aggregating $1,861,367 are deducted in the above income account.

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

WORKING ASSETS:

Current assets:
Demand deposits in banks and cash on hand, excluding $450,857 classified as noncurrent asset $ 3,704,670
Time deposits, including accrued interest ........................................ 500,110
Accounts receivable:
Due from refinery (collected in July, 1950) $ 889,704
Other trade accounts ........................................ 32,495
Other, less $10,000 reserve for doubtful accounts ................. 36,888 959,087
Insurance claims receivable ........................................ 277,064

Inventories:
Commissary merchandise, beef cattle, etc., at the lower of cost or market $ 453,301
Molasses, at estimated realizable amount ........................................ 175,053 628,354

Total current assets ........................................ $ 6,069,285

Other working assets:
Operating supplies, at average cost ................................................ $ 347,952
Growing crops:
Unamortized cost of planting and cultivation to first harvest ($400,393 applicable to current growing season) $ 1,070,871
Growing season expenses ........................................ 652,308 1,723,179 2,071,151

Total working assets ........................................ $ 8,140,416

INVESTMENTS AND OTHER ASSETS:

Land contracts and mortgage notes receivable ......................... $ 153,360
Refundable federal income taxes, arising from carry-back of losses from years ended June 30, 1948 and 1949 ................................................ 240,466
Miscellaneous investments and advances ........................................ 69,567
Membership in New York Coffee and Sugar Exchange, Inc., at nominal amount ........................................ 463,394

PROPERTY, PLANT AND EQUIPMENT (Notes B and D):

Land ........................................................................ $ 5,554,619
Buildings, machinery and equipment $ 8,792,734
Reserves for depreciation ........................................ 5,684,882 3,107,882

Buildings, machinery and equipment on certificate of necessity, at cost $ 7,381,794
Reserves for amortization ........................................ 6,643,815 738,179
Pasture improvements, at cost, less amortization of $118,753. 50,707
Construction in progress, at cost ........................................ 90,954 9,542,341

INTANGIBLE ASSETS:

Process rights license, at cost, less amortization of $25,108 $ 69,742
Patent rights, at nominal amount ........................................ 1 69,743

DEFERRED EXPENSES:

Prepaid insurance ($142,878), interest, etc. ........................................ 144,929
Refinancing expenses, less amortization of $44,578. 45,423
Water control improvements, etc., less amortization of $67,646 38,911 229,263

CASH RESERVED FOR PURCHASE OF COMMON STOCK FOR TREASURY (Note C) ............ 450,857

The accompanying notes are an integral part of the above consolidated balance sheet.
SUGAR CORPORATION
Owned Subsidiaries
SHEET, AS AT JUNE 30, 1950

### LIABILITIES

**Current Liabilities:**
- Notes payable for insurance premiums, due within one year: $55,687
- Accounts payable:
  - Trade: $145,820
  - Other (Note C): 194,638
- Estimated federal income taxes, year ended June 30, 1950: 901,054
- Accrued expenses:
  - Taxes, other than income taxes: $333,585
  - Salaries, wages, interest, etc.: 143,550
- Total current liabilities: $1,774,384

**Notes Payable** for insurance premiums, noncurrent: 24,119

**Mortgage Note Payable**, 4 pet., The Mutual Life Insurance Company of New York (Note D): 2,184,215

**Deferred Income**: 15,835

**Reserves for Losses on Growing Crops** (Note E): 196,398

**Contingent Liabilities** (Note F)

### CAPITAL AND SURPLUS

**Capital Stock** (Note G)
- Class B Preferred, $25 par value, cumulative dividends $1.25 per share:
  - Authorized: 85,800 shares
  - Issued and outstanding: 57,076 shares, $1,426,900
- Class C Preferred, $25 par value, cumulative dividends $1.50 per share:
  - Authorized: 117,023 shares
  - Issued and outstanding, (including 3,410 shares reserved for exchange): 92,429 shares, 2,310,725
- Common, $1 par value:
  - Authorized: 5,000,000 shares
  - Issued and outstanding: 1,586,436 shares, $5,324,061

**Capital Surplus** (no change during the year): 4,269,363

**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, as annexed, (Notes G and H): 5,349,431

- $15,415,020
- Less, Common stock in treasury, at cost, 2,669 shares: 41,592

The accompanying notes are an integral part of the above consolidated balance sheet.
UNITED STATES SUGAR CORPORATION  
{a Delaware corporation}  
And Its Wholly-Owned Subsidiaries  
CONSOLIDATED EARNED SURPLUS, SINCE JUNE 30, 1933  
For the Year Ended June 30, 1950

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated earned surplus, July 1, 1949</td>
<td>$4,577,610</td>
</tr>
<tr>
<td>Add, Consolidated net income for the year ended June 30, 1950, as annexed</td>
<td>1,208,935</td>
</tr>
<tr>
<td></td>
<td><strong>$5,786,545</strong></td>
</tr>
<tr>
<td>Deduct, Excess of amounts paid upon purchase or redemption of preferred shares over the par or stated value thereof (including cancellation of shares of treasury stock reacquired prior to the current year):</td>
<td></td>
</tr>
<tr>
<td>Preferred, $5 cumulative, no par value (stated value $100), 7,181 shares</td>
<td>$179,198</td>
</tr>
<tr>
<td>Preferred, Series A, 6.4 per cent cumulative, $25 par value, 24,594 shares</td>
<td>257,916</td>
</tr>
<tr>
<td>Consolidated earned surplus, June 30, 1950 (Notes G and H)</td>
<td><strong>$5,349,431</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the above consolidated earned surplus account.
UNITED STATES SUGAR CORPORATION  
(a Delaware corporation)  
And Its Wholly-Owned Subsidiaries  
CONSOLIDATED INCOME ACCOUNT  
For the Year Ended June 30, 1950

Net sales and operating revenues (including U. S. Government benefit payment of $592,452) ........................................................... $12,333,852

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 E) ................ $ 7,923,314
Selling, administrative and general expenses ............................................ 761,708
Amortization of facilities on certificate of necessity (Note B) ............... 8,685,022
Less, Amortization applicable to facilities not used in operations, deducted below ................................................................. $ 1,478,684

Profit from operations ........................................................................... $ 2,899,319

Other income:

Discounts and interest earned ......................................................... $ 68,580
Profit on sales of land by parent company ........................................ 55,209
Profit on sales of depreciable assets .................................................. 14,004
Miscellaneous .................................................................................. 9,443

Other deductions:

Interest expense .............................................................................. $133,986
Loss resulting from hurricane and high water ............................... $ 40,479
Less, Amount charged to reserve for growing crops (Note E) .......... 40,479
Cost of settlement of litigation (Note C) ........................................ $184,000
Less, Amount charged to reserve provided in a prior year .................. 165,000

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

Amortization .................................................................................... $729,173
Maintenance and taxes .................................................................... 750,202

Amortization of refinancing expenses .............................................. 27,799

Amortization of process rights license .............................................. 5,579

INCOME BEFORE ESTIMATED ALLOWANCES FOR FEDERAL INCOME TAXES ................................................................. $2,109,989

Estimated allowances for federal income taxes ................................. 901,054

NET INCOME FOR THE YEAR .............................................................. $1,208,935

NOTE: Allowances for depreciation and amortization of property, plant and equipment aggregating $1,887,844 are deducted in the above consolidated income account.

The accompanying notes are an integral part of the above consolidated income account.
UNITED STATES SUGAR CORPORATION
(a Delaware corporation)
And Its Wholly-Owned Subsidiaries
NOTES TO FINANCIAL STATEMENTS
June 30, 1950

Note A: As at June 30, 1950, the Corporation's equity in the net assets of its subsidiaries, as shown by their records, was $476,535 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 $4,370, representing net earnings of subsidiaries since date of acquisition (less dividends to parent, $6,125) was credited to earned surplus.

Note B: The amounts as at June 30, 1950 for property, plant and equipment of the Corporation, other than facilities on certificate of necessity, 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. The assigned amounts at December 8, 1931 were less than those carried on the books of the predecessor company. Property, plant and equipment of subsidiary companies as at June 30, 1950 ($336,613) 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: Releases executed on August 16, 1950 terminated all litigation between the Corporation and Bitting, Incorporated, Clarence R. Bitting and William T. Bitting. In this connection, the Corporation purchased 53,042 shares of its common stock for $450,857, and paid an additional $184,000 in settlement of all claims.

As at June 30, 1950, the cash required for the purchase of the common stock, $450,857, is segregated and classified with the noncurrent assets of the Corporation, and the $184,000 is included in other accounts payable.

The common stock so acquired, 53,042 shares, will be held by the Corporation as treasury stock.

Note D: By an agreement effective July 15, 1950, the principal balance of the mortgage note payable to The Mutual Life Insurance Company of New York was increased to $2,500,000. The loan is payable $300,000 annually beginning September 1, 1952, with provisions for accelerated payments based upon consolidated earnings and consolidated working capital.

The loan agreement provides, among other things, that the consolidated net working capital of the Corporation and its subsidiaries will be not less than $4,500,000. All property, plant and equipment owned by the Corporation, the mortgages and notes receivable from two subsidiaries, aggregating $175,000, and all of the stocks of the Corporation's wholly-owned subsidiaries have been assigned to The Mutual Life Insurance Company of New York as collateral for the loan.

Note E: Charges and credits to the reserve for losses on growing crops for the year ended June 30, 1950 were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve balance, July 1, 1949</td>
<td>$5,507</td>
</tr>
<tr>
<td>Allowances in lieu of amortization on cane plantings extending beyond four years, charged to cost of sales</td>
<td>249,167</td>
</tr>
<tr>
<td>Loss on cane field abandonments and $40,479 representing the loss resulting from hurricane and high water</td>
<td>58,276</td>
</tr>
<tr>
<td>Reserve balance, June 30, 1950</td>
<td>$196,398</td>
</tr>
</tbody>
</table>

Note F: 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 $156,500. 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, 1950, the deposit had been made and no further payments had been required. The Corporation is a substantial land owner in this district.
UNITED STATES SUGAR CORPORATION
(a Delaware corporation)
And Its Wholly-Owned Subsidiaries
NOTES TO FINANCIAL STATEMENTS- (Continued)
June 30, 1950

NOTE F— (Continued):  
(c) An agreement with a stockholder to register and qualify, upon request of the stockholder, 56,388 shares of Class B Preferred stock, for sale to the public, and to pay the expenses of such registration and qualification.

(d) A joint venture agreement, in connection with the experimental growth and processing of ramie, under which 50 pet. of any losses of ramie root systems, in excess of accumulated profits of the joint venture, shall be borne by the Corporation.

NOTE G: Upon liquidation or redemption, Class B Preferred shares are entitled to $31 per share plus accrued dividends, and Class C Preferred shares are entitled to $35 per share plus accrued dividends. As at June 30, 1950, the aggregate amounts of the liquidation or redemption prices were $342,456 and $924,290, respectively, in excess of the par value of the outstanding shares.

The Certificate of Incorporation, as amended May 31, 1950, provides for annual additions to a sinking fund reserve, beginning July 1, 1951, based upon percentages of the par value of outstanding Class B and Class C preferred shares or upon net income of the preceding fiscal year. Redemptions or purchases, if any, made at the option of the Directors prior to July 1, 1955, may not be made through the sinking fund reserve.

On May 31, 1950, the holders of a majority of each class of the Corporation's then outstanding capital shares voted to accept an offer by the Corporation to

1. issue four shares of new Class B Preferred stock in exchange for each share of old Preferred stock, $5, no par, together with all accrued dividends thereon to June 30, 1950, and

2. issue one share of new Class C Preferred stock in exchange for each share of old Preferred stock, Series A, 6.4 pet., $25 par, together with all accrued dividends thereon to June 30, 1950.

The authorized capital shares of the Corporation, as at June 30, 1950, include two classes of preferred stock which are not reflected in the annexed balance sheets. The following tabulation summarizes the status of these classes at that date:

<table>
<thead>
<tr>
<th>Class of Shares</th>
<th>Authorized Shares</th>
<th>Authorized Amount</th>
<th>Deductions Shares</th>
<th>Deductions Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred, $5, No Par Value</td>
<td>21,450</td>
<td>$2,145,000</td>
<td>Shares received in exchange for</td>
<td>$1,426,900</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>57,076 shares of Class B Preferred</td>
<td>14,269</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>89,019 shares of Class C Preferred</td>
<td>5,153</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shares redeemed for cash</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Treasury shares cancelled</td>
<td>3,410</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shares to be received in exchange for</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,410 shares of Class C Preferred reserved for exchange</td>
<td>2,018</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shares to be redeemed for cash (necessary funds deposited with redemption agents prior to June 30, 1950)</td>
<td>201,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total deductions</td>
<td>21,450</td>
</tr>
</tbody>
</table>

Upon completion of all the exchanges and redemptions summarized above, the Certificate of Incorporation of the Corporation is to be amended to eliminate the authorization for both the above classes of stock.

Common stock dividends are subject to (a) prior dividend rights of preferred stocks, and (b) the maintenance of specified amounts of net working assets and capital.

NOTE H: A Division of the Interstate Commerce Commission has issued a report in which it found the Corporation is entitled to reparation for excessive freight charges paid by it on raw sugar shipments during the years ended June 30, 1949 and 1950. As a result of this report, the Corporation has filed claims with the railroad which, if collected, would result in a net recovery of approximately $220,000. Pending the settlement of these claims and the issuance of a final order by the Commission, this amount has not been reflected in the annexed statements.
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have examined the balance sheet of United State Sugar Corporation and the consolidated balance sheet of the Corporation and its wholly-owned subsidiary companies as at June 30, 1950, and the related surplus and income accounts for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and related surplus and income accounts present fairly the financial position of United States Sugar Corporation, and the consolidated financial position of United States Sugar Corporation and its wholly-owned subsidiary companies as at June 30, 1950, and the results of operations for the year then ended, 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 11, 1950.