

*Salesman's
Prospectus*

PREFERRED STOCK
of the
ACME WHITE LEAD AND COLOR WORKS

Prefer-
ence
over
Common
Stock

The holder of preferred stock owns an interest in a business of such proportion as the amount of his stock bears to the company's total capital. He is entitled to a fixed dividend instead of taking chances as to a larger or smaller dividend or no dividend at all, which the holder of common stock must do. Under the laws of Michigan these dividends must be cumulative; that is, if for any reason the dividend for any one period should not be paid it would stand as a preferred claim against the net assets of the company and must be paid before the holders of common stock can draw any dividend or any share of their investment. The law further provides that if for any reason the corporation shall "cease business or become insolvent", the holders of preferred stock shall receive in full the par value of

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their investment and any unpaid dividends, before anything can be divided among the holders of common stock. The record of this company shows that such an event in this case is extremely improbable.

This explanation of the nature of preferred stock is offered merely for the benefit of those who may not have had experience with this particular form of investment, and to show that the holders of this preferred stock will be amply protected.

**Taxes
and
Exemptions**

This preferred stock is full paid and non-assessable. It is also tax paid; that is, it is exempt from taxation in Michigan. The company pays taxes on all of its property, and therefore the stock, which represents a share in that property, cannot be taxed again. The holder of preferred stock, like the holder of common stock, is not personally liable for any debts of the company except those for labor.

Redemption

This stock is subject to redemption at par on November 30th, 1927. This insures to the purchaser a long term investment, which lends it additional value. It might be profitable, however, for the company, prior to that date, to withdraw this 6% stock and substitute an issue at a lower rate of interest. The company reserves the privilege, therefore, of taking up any or all of this preferred stock at any time between November 30th, 1912 and November 30th, 1927. As this reservation affects the duration of the investment and therefore its value, it is provided that if the company should exercise this option, it must pay for the stock a premium of 10%. As the date approaches when this option can be exercised, it is expected that this provision will tend to keep the market value of the stock at premium.

**Voting
Power**

In accordance with the usual practice in preferred stock issues, this preferred stock does not entitle the holder to vote for directors. This restriction is for the protection of the preferred stock as well as the common stock. It is intended to insure the continuance of the present management of the company, under which its business has been conducted so profitably. It is provided, however, for the protection of the preferred stock holders, that in case a dividend on the preferred stock should be passed for sixty days, or in case of a 10% impairment on the common stock, the preferred stock holder shall have an equal right with the common stock holder to participate in the election of directors and the control of the corporation.

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GROWTH OF THE CORPORATION

Organized, December 9th, 1884

Paid in Capital, - - - - -	\$	5,000.00
Authorized Capital, - - - - -		10,000.00
Capital increased Dec. 14, 1886 to		25,000.00
" " Feb. 12, 1897 "		75,000.00
" " Dec. 7, 1899 "		150,000.00
" " Nov. 25, 1901 "		400,000.00
" " Nov. 29, 1902 "		500,000.00
" " Dec. 10, 1904 "		750,000.00
" " Dec. 10, 1906 "		1,250,000.00
" " Dec. 12, 1907 "		2,000,000.00

Of the increase in common stock \$365,000.00 consisted of additional cash investments by the four principal stockholders. \$100,000.00 was sold to employees and the balance, amounting to \$775,000.00 represents stock dividends earned by the company.

SALES

1884 - - - \$	25,691.53	1904 - - -	\$1,696,597.60
1894 - - -	568,059.46	1905 - - -	2,499,943.05
1899 - - -	650,334.91	1906 - - -	2,987,428.75
1903 - - -	1,370,553.34	1907 - - -	3,160,403.19

DIVIDENDS

For the last ten years, with per cent to capital:

Year.	Cash Dividends.	Stock Dividends.	Total Dividends.	Per cent.
1898	\$ 1,750.00	\$ -----	\$ 1,750.00	7%
1899	1,750.00	75,000.00	76,750.00	107%
1900	10,500.00	-----	10,500.00	7%
1901	10,500.00	150,000.00	160,500.00	107%
1902	28,000.00	50,000.00	78,000.00	19-1/2%
1903	35,000.00	-----	35,000.00	7%
1904	35,000.00	100,000.00	135,000.00	27%
1905	52,500.00	-----	52,500.00	7%
1906	52,500.00	400,000.00	452,500.00	60-1/3%

\$227,500.00 \$775,000.00 \$1,002,500.00

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NET EARNINGS

Over and above interest payments for the last ten years, with per cent on capital stock:

<u>Year</u>	<u>Earnings</u>	<u>Per cent</u>
1898	\$ 25,750.00	34%
1899	31,750.00	42%
1900	20,500.00	14%
1901	145,500.00	97%
1902	78,000.00	19-1/2%
1903	75,000.00	15%
1904	95,000.00	19%
1905	187,500.00	25%
1906	177,500.00	42%
1907	17,000.00	7-3/4%
Total	\$1,073,500.00	

The variation in earnings is natural, and is due to changes in business conditions from year to year. Sometimes Spring stocks are bought in the Fall, and sometimes not until after the first of the year. In some years expensive work has been done in opening up new fields, the results of which have not shown at once. The next year, perhaps, very little of this work has been done, and the company has had the benefit of the increased business resulting from the expenditure of the year before. Then, too, accumulations of assets have at times been omitted from our statements until a substantial stock dividend could be declared, or until a re-appraisal seemed necessary for insurance purposes.

Last year it was expected that the company would do a business of \$3,500,000.00. It incurred all the necessary expense to that end and would have reached that mark had it not been for the stringency and panic in the Fall. A reduction in volume for the year 1907 was experienced by almost every concern doing a large business.

For the last ten years the company's AVERAGE NET EARNINGS HAVE BEEN MORE THAN TWICE the amount necessary to pay the 6% dividend on this issue of preferred stock.

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For the last four years the average net earnings have been practically FOUR TIMES the amount of a 6% dividend on the preferred stock.

If this preferred stock had been issued ten years ago it would have taken the place of an equal amount of indebtedness, and if interest at 6% on the amount of the preferred stock is deducted from interest payments during those ten years and included with net earnings, the average net earnings for the last ten years have been MORE THAN THREE TIMES, and for the last four years have been practically FIVE TIMES the amount of a 6% dividend on the preferred stock

Owing to the responsibility of the company's four directors and their personal indorsement of all its commercial paper, it has been possible to transact this constantly increasing volume of business with a smaller investment of capital than would ordinarily be required. If the interest paid is considered as really a part of the net earnings, or as dividends on borrowed capital, THE NET EARNINGS FOR THE LAST TEN YEARS WERE AS FOLLOWS:

<u>Year</u>	<u>Net Earnings</u>
1898	\$ 37,933.43
1899	45,429.48
1900	35,016.50
1901	162,493.54
1902	89,064.68
1903	93,313.45
1904	125,034.50
1905	220,099.65
1906	384,312.57
1907	216,390.40
Total	\$1,409,088.20

IN EVERY YEAR SINCE 1898 the earnings have been .
MORE THAN ENOUGH to pay INTEREST on our borrowed capital,
AND 7% ON OUR INVESTED CAPITAL, and also \$775,000.00
IN STOCK DIVIDENDS.

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STATEMENT OF THE COMPANY'S CONDITION

AT THE

CLOSE OF ITS BUSINESS YEAR, NOVEMBER 30, 1907.

The proceeds of the sale of the preferred stock will be used to replace an equal amount of the present borrowed capital. In this statement we show this as accomplished, so as to present more clearly the relation of the preferred stock to the business as a whole:

ASSETS:

Cash	\$ 120,025.37
Book Accts.	1,583,557.07
Mdse.	661,338.55
Equipment	347,404.00
Real Estate	514,801.78

Total Assets \$3,227,126.77

LIABILITIES:

Long time loans	\$ 314,150.00
Short time loans	670,853.43
Accts. Payable	145,123.34
Capital	2,000,000.00
Surplus	97,000.00

Total Liabilities \$3,227,126.77

The company has NO BONDED OR MORTGAGE INDEBTEDNESS. None of its assets are pledged to secure any debt.

Quick
Assets

The quick assets, cash, accounts and merchandise, aggregate \$2,364,920.99. This is more than twice the indebtedness of \$1,130,026.77. The preferred stock authorized is \$750,000; and the SURPLUS of quick assets over liabilities is \$1,234,894.22.

In addition to this surplus, the preferred stock is secured by the value of the real estate and buildings, over \$500,000., and equipment valued at nearly \$350,000.

Insur-
ance

The company's plant, equipment and merchandise are insured for \$1,293,350.

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In the foregoing statement nothing is allowed for the valuable patents and trademarks owned by the company, nor for its formulas, nor for the good will of its large and profitable business.

Patents

The company controls the manufacture of White Lead by what is known as the "Mild Process". This is a comparatively new process which the company acquired about two years ago. It has been thoroughly demonstrated through the operation of a small plant that the process is a practical and commercial success.

New Lead Plant

The company has just completed at a cost of over \$100,000 a building for a new Lead Plant, which it has equipped with its own mechanical force, and has just commenced to operate. This plant will have a minimum capacity of over 5,000 tons, worth approximately \$600,000 per annum. At present the margin of the price of the finished White Lead over the material cost of the Pig Lead is approximately 100 per cent. The expense for labor and power is exceedingly light in this process, which is almost entirely mechanical. The product is a staple and will be rapidly turned into money at almost no selling expense - an exceedingly desirable feature. One advantage of this process over the Old Dutch Process in general use, is in the time required - not to exceed ten days as against one hundred days, which when the value of the material is considered, must necessarily represent a great saving in interest. It is confidently expected that this department will add materially to the net profits of the business.

Good Will

The good will of a business consists of its established trade, its reputation and that of its goods, and its working organization.

Organization

The company employs an office force of over 90 persons. In the advertising office and printing shop there are 110. The work of the factory includes six different lines of business - Paint, Varnish, Dry Colors, Kalsomine, Whiting and White Lead. The force includes 35 specially trained superintendents, chemists, engineers and foremen and over 600 factory employees, a large number of whom are skilled workmen. The sales departments include some 120 sales directors, managers and salesmen. No concern has a more highly trained, enthusiastic and efficient sales force than the Acme Quality representatives. Many of the company's employees have been with it for from fifteen to

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twenty years, and a number of the most valuable men are interested in the company through their holdings in a special issue of employes' stock. Supplementing this organization, the company operates sixteen branches and branch factories, extending from Boston to San Francisco.

**Estab-
lished
Trade**

In the course of its 23 years of business growth the company has formed many valued connections, some of them now of many years standing, with the most progressive and loyal distributors, jobbers and dealers, throughout the United States, and in a number of territories and foreign countries.

**Adver-
tising**

The company is the most extensive and most successful advertiser in the paint and varnish field. It was the first to put into effect a plan for the comprehensive advertising of the full line of the varied products of a paint and varnish factory; and as a result the Acme Quality line is today the one that is most widely and favorably known.

The value of this good will - that is, the wide and excellent reputation of the company's products, its efficient organization and its long-established and valuable connections in the trade, cannot be over-estimated. No concern starting in business could hope to attain an equal volume without an expenditure in these directions of at least an equal amount of time, labor and money. While the value of this good will cannot be estimated, it has cost the company over twenty years of hard work and over \$3,500,000.00 in sales and advertising expense to build it up.

PERSONNEL.

One of the most important points for consideration in connection with an investment of this nature is the management of the company, the character of the officers, their success in business, their personal responsibility and their standing in the community. For over twenty years the stock of this company has been held by Messrs. H. Kirke White, Albert E. F. White, William L. Davies and Thomas Neal. It is what is known as a close corporation. None of the common stock is or ever has been for sale. The only exception is a special issue of stock held by some of the older employes holding important positions in the organization.

These four stockholders have constituted the Board of Directors during all this period, and have been responsible for the management of the business, with the success indicated above. Their individual responsibility and their connection with conservative and successful banking and manufacturing

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interests in Michigan, is well known to business men of the state, and can easily be verified on investigation. Their personal worth and their reputations are back of this concern, and they personally indorse all of its commercial paper.

A corporation whose common stock is scattered among a great many people is apt to have no one to whom it can turn in an emergency. The responsible stockholders would refuse to assume liabilities not shared by all the rest. On the other hand, where there are only a few stockholders, each of whom is responsible and has a large investment at stake, they can and must get together and take steps for the preservation of the company's interest and their own. The close holding of this company's common stock is an element of strength for the company and of safety for the holders of preferred stock.

TWO ESSENTIALS OF A GOOD INVESTMENT

The two important points in connection with any investment are income and security.

Income

Six per cent per annum is now the prevailing interest rate. Anything in excess of that is a premium which indicates some element of speculation or risk.

This preferred stock offers the investor a net income of 6% per annum, payable quarterly, and, being exempt from taxation, is equivalent to the ordinary 8% investment.

Security

It is only good business that before putting money into a concern the prospective investor should consider carefully how he would be affected if the company should for any reason be forced into liquidation. In other words, what shrinkage of assets would have to occur and what other interests would have to be wiped out before he would suffer any loss.

We invite your careful consideration to what would have to occur in this company's business before its preferred stock could be affected in any way.

First: This business, which has been conducted at a profit for over twenty years, and which has for the last ten years paid its stockholders an average of 23% per annum, must suddenly become unprofitable.

Second: Then you must assume that the company's directors would disregard their own interests and the interests of those they invite to become associated with them. That after the business had become unprofitable, they would be so foolish as to continue it long enough to wipe out all the present surplus, and their own holdings of common stock, and imperil

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their individual assets as well, they being the indorsers on the company's paper. The character and standing of the company's directors as indicated above should convince you that this is improbable.

Third: Even if the company's directors would attempt such a course it would be impossible to carry it out. The losses of the business could not be concealed from the creditors and the result would be a prompt liquidation. If that should occur there would of course be a shrinkage of assets but the quick assets could be shrunk approximately \$500,000 and still be enough to pay the creditors and the holders of preferred stock in full. After that there would be \$850,000 in Real Estate and equipment to fall back on.

These considerations should convince the investor that the security back of this issue of preferred stock is ample beyond question. The investor is not asked to take any chance on the profits or losses of this business. The proceeds of the sale of this stock are to be used to replace an equal amount of the company's borrowed capital. The investor is, in fact, asked to lend the company money on long time at a good rate of interest, and with exceptionally good security. He has between him and any loss the earning power of the company, the surplus in the business, the personal responsibility of the company's directors, who are indorsers on its paper, and the entire value of the \$1,250,000 of common stock which, according to the company's statement of Assets and Liabilities, is worth more than par and which, when its earning power and the value of its patents and good will are considered, is worth two for one. In this respect, and as compared with nearly all preferred stock issues that are being offered to the public today, this issue should be considered as a par with an issue of first mortgage bonds.

PREFERRED STOCK COMPARED WITH OTHER FORMS OF INVESTMENT

Savings Bank Accounts.

There is no question as to the security of a savings bank account. The income, however, will not exceed 3 or 4% gross. The account is subject to taxation, at the rate of 1 or 2% or more. This leaves a small net income as compared with the 6% net afforded by this preferred stock. Of course, the depositor can withdraw his money at any time, while we do not guarantee to redeem this stock on demand. We offer the stock for sale, as a long time investment. There is always

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a good demand on the Detroit Exchange for the preferred stocks of Detroit concerns. The prospective investor must make up his mind from the facts submitted, whether or not there is likely to be such a market for a security of this kind as will enable him to get his money out of it should he desire to do so. He should bear in mind that he will receive a premium of 4% or more (the difference between 6% net and 3% gross) for taking this chance. If at the end of two years he should need his money and should be forced to accept 95% on the par value of his investment, the 8% premium would more than make up for the 5% loss.

Real Estate Mortgages.

Here there is something in favor of this preferred stock, both as to income and security. The average income on real estate mortgages is 6%, though in some sections as high as 7% can be obtained. This, however, is the gross income and allowance must be made for taxation and sometimes for collection. Even in the townships of Michigan the tax rate is rarely, if ever, lower than 1%. In the cities it will run 2% or more. The net income, therefore, may be only 4 or 5%. Improved real estate may depreciate as rapidly as any other form of security. Insurance and taxes must be looked after. Interest payments are frequently delayed. Property taken on foreclosure is not readily convertible, and it is not at all unusual for a mortgagee to be obliged to take over property and hold it for years before a sale can be made. This stock gives a net income of 6%, all taxes paid, equivalent to an 8% investment. The income is paid quarterly without any demand on the part of the stockholder. The margin of security is much greater than will be found in any real estate mortgage, offering anything like the same net income.

So-called Bargains in Stock Exchange Securities.

There are many of these widely advertised at present, which offer the investor an income of from 7 to 8% gross, and he is allowed to assume that these "bargains" afford the security which is understood to go with preferred stock. The concerns whose stock is thus offered are usually incorporated under the laws of New Jersey, or New York, or West Virginia; at any rate, they are not Michigan corporations. Their stock is taxable in this state, so that from the gross income an allowance for taxes must be made. Most of these concerns are what are commonly known as "trusts", and the way that they are being prodded and stirred up by legal officers of the Federal government and of the states is apt to some extent to affect their security, as well as their profits. When it comes to the question of

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security, it will be found that their preferred stock is preferred technically and in name only. Most of these concerns were formed through the purchase of independent corporations. The promoters bought out these smaller concerns at any prices which the former owners happened to ask, and paid for them in full in preferred stock, giving an equal amount of common stock as a bonus. In many cases bonded indebtedness was created for practically the full value of the company's assets. In almost every case the common stock of these concerns is entirely water and represents no value, aside from the company's earning power. The actual investment in net assets is represented by the preferred stock, provided there are no bonds. Their preferred stock ought to be called common stock and their common stock ought to be called watered stock or bonus stock. This is demonstrated by the fact that these concerns pay very small dividends on their common stock or no dividends at all. If the investor will consider these points when comparing this company's preferred stock with the so-called "stock exchange bargains", he will find that in case of a liquidation or a receivership for one of these large trusts, the common stock would be entirely wiped out. The bond holders might be paid in full but as to the holders of preferred stock it would only be a question of how much their holdings would be depreciated. Comparing the security of this issue of preferred stock with these so-called bargains, this issue is as safe as a government or municipal bond, for there are between the preferred stockholder and any possible loss a considerable surplus, the individual responsibility of directors worth from four to six million dollars, an issue of one million two hundred and fifty thousand dollars of common stock, which has earned an average of 23% in dividends for the last ten years, and which is not and never has been for sale, and which is worth on a conservative estimate at least two for one.

It might be asked why, if this stock is so desirable, the present stockholders do not take it themselves. One answer is that they are active business men, interested in a number of profitable manufacturing enterprises, in which they are so closely identified with the management that they can keep close watch over their interests at all times. It is therefore safe for them to confine their holdings to common stocks, which are ordinarily more hazardous, but which are at the same time more profitable. The preferred stockholder has a fixed income, and he is preferred over the common stockholder, both as to income and principal. This makes a much more desirable and businesslike investment for anyone not active in the management of the company.

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Another is that one or two of the directors are reaching an age when they must consider the possibility of death and the division of estates, and they desire for the benefit of the company, its stockholders, its creditors and its splendid organization of employes and customers, to arrange its affairs so that in case of the death of any or all the present directors, the remaining directors and then those who are at present the principal employes can continue the business with safety and success. With this in view, it is simply good business judgment on their part to replace a substantial proportion of the company's indebtedness with preferred stock. It is not a case of their desiring to be relieved of the indorsement of the company's paper - they will continue to indorse all of the paper that is not replaced by the proceeds of the sale of the preferred stock.

Another point is, that the plan of interesting the principal employes in the business through the issue of employes' stock, has worked so well that it is now thought desirable to endeavor to interest as many as possible of the company's customers and the consumers of the company's goods. The scattering of this preferred stock in comparatively small amounts throughout the country should necessarily greatly strengthen the company's position.

Finally the directors do not wish to see the company absorbed by any trust. So many of our Michigan enterprises, as they have outgrown the resources of their original managers, and the banking accommodations of their own cities, have through financial necessity been obliged to sell out to trusts or holding companies. This has meant the removal of general offices to the East, where capital was obtained, and the distribution of a much smaller proportion of its expenditures in this state. It has also meant the closing of plants in many localities. The directors of this company desire to preserve its identity as a Michigan corporation. They feel that the normal growth of this business will demand additional capital from year to year, and they offer this preferred stock to the Michigan public, as the first step in the policy of financing the growth of the company right here at home, so that the company will continue to spend in Michigan the money that has been earned here.

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PROCEDURE

If payment is made by check, the check should be drawn for the par value of the number of shares desired, \$25.00 per share.

Checks should be made payable to the order of the Acme White Lead & Color Works, Detroit, Michigan, or Security Trust Company, Detroit, Michigan.

Remittance should be made to the Acme White Lead & Color Works or the Security Trust Company.

If desired, the remittance may be left with the investor's own bank, and the Acme White Lead & Color Works notified. A certificate will then be sent to his bank which will deliver the certificate to him and send the check to the company.

No charge is made by the Security Trust Company, for the transfer of certificates. The certificates will be dated on the day that the remittance is received. Dividends will commence to run from the date of the certificate.

ACME WHITE LEAD AND COLOR WORKS,
Detroit, Michigan.

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