# Thirty Fourth Annual Report

1935




Monsanto Chemical Company
St. Louis, U.S.A.

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# Thirty Fourth
# ANNUAL REPORT
# 1935

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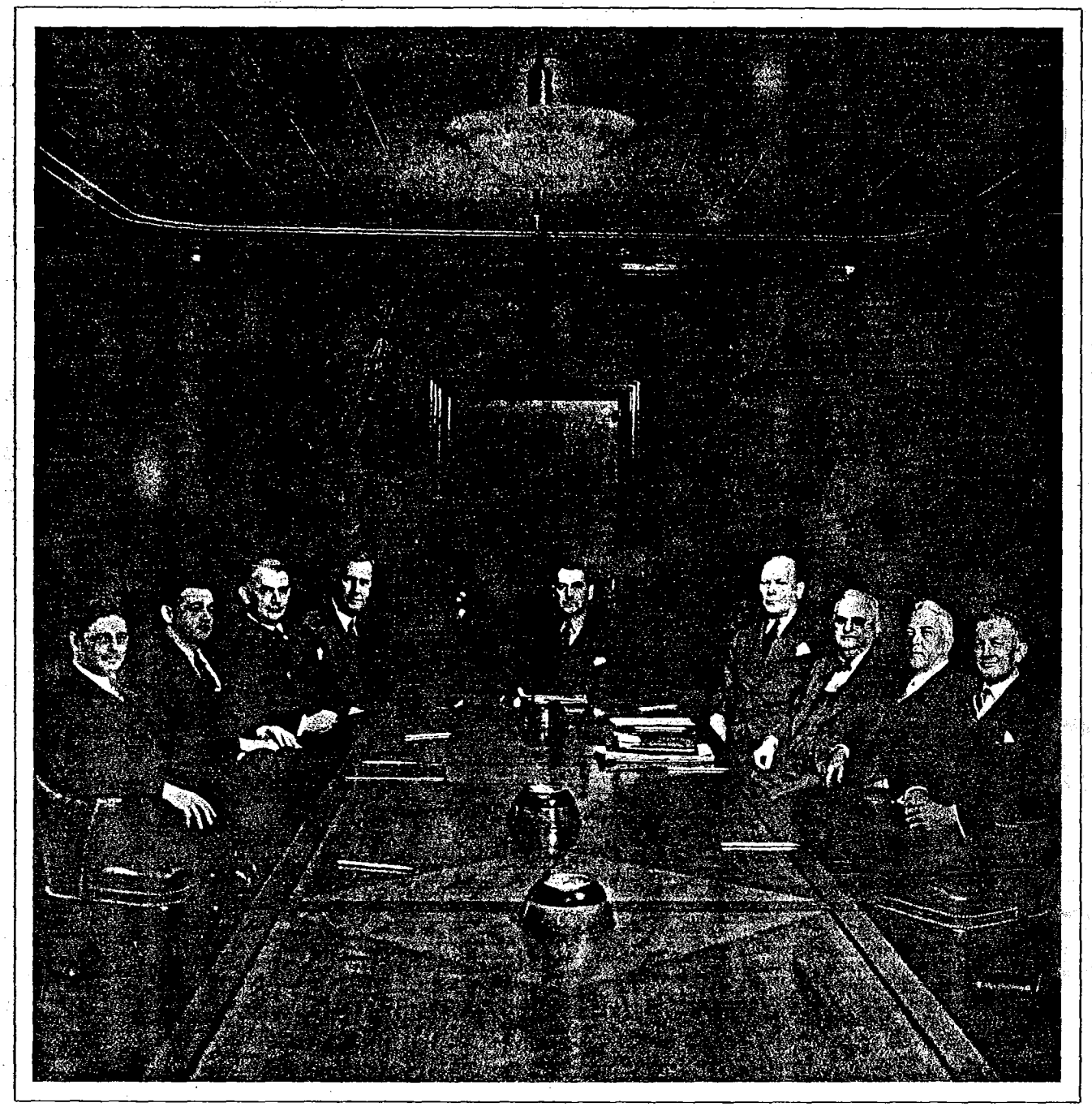

## THE BOARD OF DIRECTORS
## *of*
## MONSANTO CHEMICAL COMPANY

EDGAR MONSANTO QUEENY
President

LLOYD F. NICKELL
Chairman, Monsanto Chemicals, Ltd.

CHARLES BELKNAP
Executive Vice-President

JOHN W. LIVINGSTON
Vice-President in charge of Manufacture

GASTON DUBOIS
Vice-President in charge of Research and Development

G. LEE CAMP
Vice-President in charge of Sales

THEODORE RASSIEUR
General Counsel

WALTER W. SMITH
President, First National Bank in St. Louis

WILLIAM M. RAND
President, Merrimac Chemical Company

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*Thirty-Fourth*

# ANNUAL REPORT

*to the stockholders of the*

## MONSANTO CHEMICAL COMPANY

ST. LOUIS, U. S. A.

OUR SALES CURVE follows closely that of general business activity, which during the early months of 1935 wandered on a slightly downward course. Industry's favorable response, when the Supreme Court returned the business of running business to business men, was reflected in an upward trend, which was accelerated by the "breathing spell" granted to it by the President.

Our net sales totaled $24,705,574.67, which represented an increase of 8% over the previous record year. This increase was achieved in spite of lower prices on several products and the permanent loss of some large-volume, but relatively low-profit business. It reflected higher rates of industrial activity, greatly increased use of some new products, and a definitely better demand for heavy chemicals. Typical of an integrated chemical industry, our net sales were but 69% of our gross assets. This is indicative of the relatively complicated character of our business and the large amount of specialized and expensive apparatus that is necessary to produce chemicals.

During a very active year for our staff, we carried on the heaviest construction program in our history. The Atlantic Chemical Company of Billerica, Massachusetts, manufacturers of heavy chemicals, was purchased and merged with our Merrimac Division. In March, contracts were entered into whereby The Swann Corporation of Birmingham, Alabama, in which we had held an interest, was absorbed. The latter's operations in Anniston, Alabama, and St. Louis, Missouri, center around the electro-thermal production of phosphoric acid and its derivatives. These products are used in the steel, food, dentifrice, detergent, and silk industries. In Anniston, abrasives for



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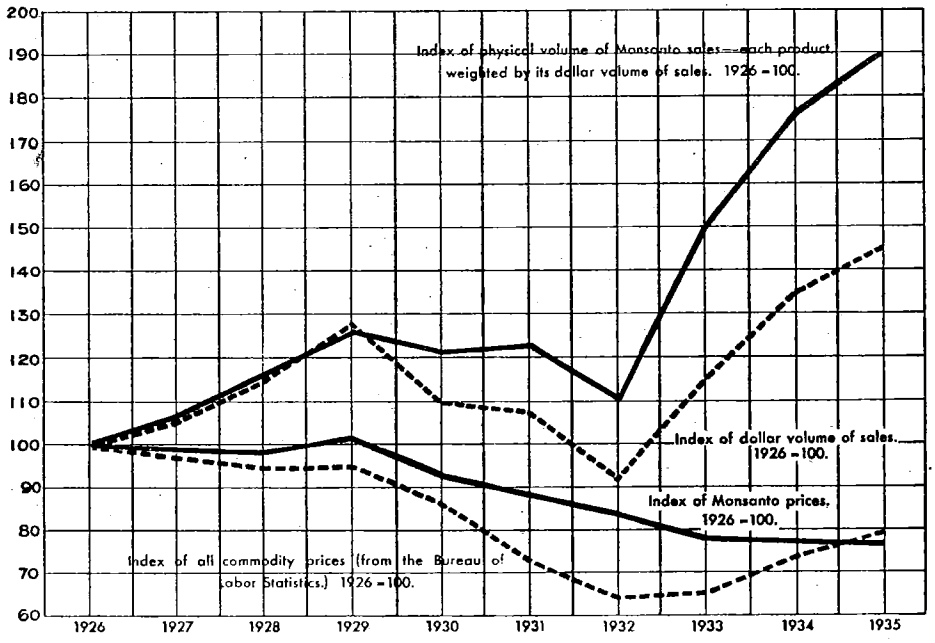
grinding wheels, and calcium carbide are also manufactured. Lampblack, for use in paints and printing inks, is produced in the Camden, New Jersey, plant.

To facilitate a visible comparison of the operations under our control during the year, the observations and accounts in this report assume that these acquisitions had been in existence throughout the period.

The net consolidated earnings for 1935 were $4,009,872.83. After allowing for minority interests and preferred dividend requirements of subsidiary companies, they amounted to $3,843,390.76 or $3.84½ per share on the 999,123 shares outstanding at the end of the year. These earnings mark progress from 1934 earnings of $2,771,-629.29, or $3.20½ a share on the 864,000 shares outstanding at the end of that year. 1935 earnings provided adequately for our regular dividend and two extra dividends, totaling $1.50 a share, that were paid during the year.

In spite of materially lower selling prices, as well as higher labor costs, each component unit of Monsanto realized greater net earnings than it did in 1929, and in this fact is found justification for our heavy capital expenditures during recent years. The New England Alcohol Company yielded a gratifying return on our investment.

**SALES VOLUME AND PRICE TRENDS**



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In an expanding business many moves are necessary that entail extraordinary expense, each of which is non-recurring. While similar charges probably will be incurred whenever corresponding conditions are encountered, they were very substantial during 1935. They included unusually heavy overhead charges and high costs resulting from the starting of new plant and the total exceeded a non-recurring profit of $138,308.04 realized from the sale of an investment.

## BALANCE SHEET COMMENTS

The following consolidated balance sheets represent in each case—first column, our previous annual balance sheet after rearrangement in accordance with our 1935 balance sheet; second column, that of the same date (1934) after giving effect to the consolidation of Merrimac Chemical Company, Merrimac Chemical Transportation Company, The Swann Corporation, Monsanto Chemical Company of Alabama, Monsanto Chemicals, Ltd., Monsanto Holdings Limited, New England Alcohol Company, Provident Chemical Works, Swann Mining Company, The Iliff-Bruff Chemical Company, The Rubber Service Laboratories Company, Virginia Fertilizer Corporation, and Wilckes, Martin, Wilckes Company, all of which were then controlled, and with the exception of the New England Alcohol Company are now wholly owned; third column, a corresponding consolidated balance sheet at the end of 1935.

### CURRENT ASSETS

| | Dec. 31, 1934 | Dec. 31, 1934 | Dec. 31, 1935 |
|---|---|---|---|
| Cash | $3,538,659.97 | $3,953,721.94 | $3,685,082.53 |
| Notes and Accounts Receivable, less Reserve | 1,697,459.39 | 2,244,078.10 | 2,794,105.75 |
| Inventories | 4,110,022.98 | 5,024,044.03 | 5,165,088.61 |
| Cash Surrender Value of Life Insurance Policies | ..... | 42,593.75 | ..... |
| Total | $9,346,142.34 | $11,264,437.82 | $11,644,276.89 |

The inventories represent physical inventories as taken by the employes of our various companies and are priced at substantially the lower of cost or market.



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## CURRENT LIABILITIES

| | Dec. 31, 1934 | Dec. 31, 1934 | Dec. 31, 1935 |
|---|---|---|---|
| Notes Payable | $ ..... | $ 250,000.00 | $ ..... |
| Accounts Payable | 1,080,117.61 | 1,307,635.66 | 1,470,673.31 |
| Accrued Items | 323,744.28 | 358,957.45 | 328,159.59 |
| Estimated Income Taxes | 616,387.30 | 696,378.20 | 814,159.20 |
| First Mortgage 5½% Bonds to be Redeemed | 42,330.00 | 42,330.00 | ..... |
| Total | $2,062,579.19 | $2,655,301.31 | $2,612,992.10 |

The notes payable of The Swann Corporation were paid during the year. Greater income taxes reflect the greater earnings.

At the year end our net current assets amounted to $9,031,284.79 which by comparison exhibits a slight improvement in spite of heavy capital expenditures. The ratio of current assets to current liabilities continues very favorable at 4.46 to 1. Cash alone exceeds all current liabilities.

## OTHER ASSETS

| | Dec. 31, 1934 | Dec. 31, 1934 | Dec. 31, 1935 |
|---|---|---|---|
| Due from officers and employes on purchases of Company's Stock | $ 82,012.47 | $ 82,012.47 | $ 128,062.00 |
| Miscellaneous Investments | 720,987.61 | 749,072.92 | 702,184.62 |
| Investments in Controlled Companies | 910,468.67 | 126,679.21 | 238,108.75 |
| Total | $1,713,468.75 | $ 957,764.60 | $1,068,355.37 |

The first item represents the amounts due under stock purchase contracts whereby the company's capital and subsidiary preferred stocks are purchased for the account of employes in the open market and paid for by employes by monthly deduction from their salaries.

In the first column, the item Investments in Controlled Companies includes our investment in The Swann Corporation and New England Alcohol Company. Due to consolidation, such investments are eliminated in the second and third columns. In these latter two columns, the amounts represent our investment in Monsanto Petroleum Chemicals, Incorporated, which is carried at the value of our portion of the tangible assets of that company, the balance of our investment having been charged to research expense, and the estimated realizable value of our investment in power and other unconsolidated companies.



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## PLANT PROPERTY

| | Dec. 31, 1934 | Dec. 31, 1934 | Dec. 31, 1935 |
|---|---|---|---|
| Land | $1,303,198.07 | $1,504,491.34 | $1,512,204.83 |
| Buildings | 3,640,351.62 | 5,185,455.58 | 5,638,157.39 |
| Machinery and Equipment | 10,702,924.00 | 13,484,757.47 | 15,833,477.41 |
| Total | $15,646,473.69 | $20,174,704.39 | $22,983,839.63 |

The valuations of the properties summarized in the foregoing, represent either cost or the reduced valuations indicated as replacement costs as established by our company engineers as of December 31, 1932.

During 1935, $3,739,129.27 was invested in plant. Of this amount approximately $730,000 was spent to replace existing facilities either because they were exhausted or because new apparatus was more efficient. The balance represents a large number of projects for the expansion of capacities, manufacture of new products, and increased auxiliary facilities. In addition $1,283,273.69 was spent on repairs.

## RESERVES

| | Dec. 31, 1934 | Dec. 31, 1934 | Dec. 31, 1935 |
|---|---|---|---|
| Depreciation and Obsolescence | $5,312,807.77 | $7,234,293.38 | $7,785,573.78 |
| For Redemption of Returnable Containers | 523,879.23 | 523,879.23 | 548,677.39 |
| For Relocation and Revaluation of Properties, etc. | ..... | 583,368.42 | 565,133.97 |
| For Fluctuations of Exchange | 234,298.05 | 234,298.05 | 234,298.05 |
| For Contingencies | 263,644.15 | 295,634.15 | 382,255.16 |
| Total | $6,334,629.20 | $8,871,473.23 | $9,515,938.35 |

The increase in the depreciation reserve is the net of $1,280,552.35 provided out of 1935 income, less charges for reserve accumulated on abandoned or modernized plant.

No progress toward stabilization of Pound Sterling and Dollar Exchange being evident since last year-end, the reserve for fluctuations of exchange which was created out of a former exchange profit has been retained.

The reserve for relocation and revaluation of properties, etc., was established out of the surplus of The Swann Corporation at the date of merger into Monsanto Chemical Company, for the purpose of writing off against such reserve, some of the properties then acquired, as new and more efficient replacement units are constructed, and also the expenses incurred in connection with the merger. A statement of this reserve at December 31, 1935, is included under the financial statement section of this report.



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## CAPITAL AND FUNDED DEBT

| | Dec. 31, 1934 | Dec. 31, 1934 | Dec. 31, 1935 |
|---|---|---|---|
| **Funded Debt:** | | | |
| First Mortgage 5½% Sinking Fund Gold Bonds, due November 1, 1942 | $ 913,000.00 | $ 913,000.00 | $ ..... |
| **Capital Stock and Surplus:** | | | |
| Preference Stocks of Subsidiary Companies: | | | |
| Monsanto Chemicals, Ltd. 5½% Redeemable Cumulative shares of £1 each; authorized 500,000 shares; outstanding 400,000 shares | 1,940,000.00 | 1,940,000.00 | 1,940,000.00 |
| Provident Chemical Works 1,354 shares 6% non-cumulative of $100 each | ..... | 135,400.00 | ..... |
| The Iliff-Bruff Chemical Company, 682 shares, $7.00 cumulative of no par value | ..... | 68,200.00 | ..... |
| Wilckes, Martin, Wilckes Co. 5,000 shares, $6.00 cumulative of no par value | ..... | 500,000.00 | ..... |
| Minority Interest in New England Alcohol Company | ..... | 347,563.75 | 342,085.34 |
| Monsanto Chemical Company, Common Stock, authorized 1,250,000 shares of $10 each | | | |
| Issued (Dec. 31, 1934: 864,000; Dec. 31, 1934: 977,081; Dec. 31, 1935: 999,123) | | | |
| Less in Treas. (Dec. 31, 1934: .....; Dec. 31, 1934: 17,527; Dec. 31, 1935: .....) | | | |
| Outstanding (Dec. 31, 1934: 864,000; Dec. 31, 1934: 959,554; Dec. 31, 1935: 999,123) | 8,640,000.00 | 9,595,542.50 | 9,991,230.00 |
| Surplus applicable to Common Stock: | | | |
| Paid-in Surplus | 1,152,292.75 | 1,688,800.83 | 3,388,291.83 |
| Earned Surplus Acquired from Predecessor Corporation | 1,719,058.14 | 1,719,058.14 | 274,050.89 |
| Earned Surplus | 4,143,160.50 | 4,190,068.87 | 7,775,076.40 |
| Total | $18,507,511.39 | $21,097,634.09 | $23,710,734.46 |

Minority interest in the capital and surplus of New England Alcohol Company is held by Central Aguirre Associates.

At the time of acquisition of The Swann Corporation, our new subsidiary companies had outstanding three issues totaling $703,600 of 6% and 7% preferred stocks. Monsanto had outstanding $877,500 of 5½% first mortgage bonds.



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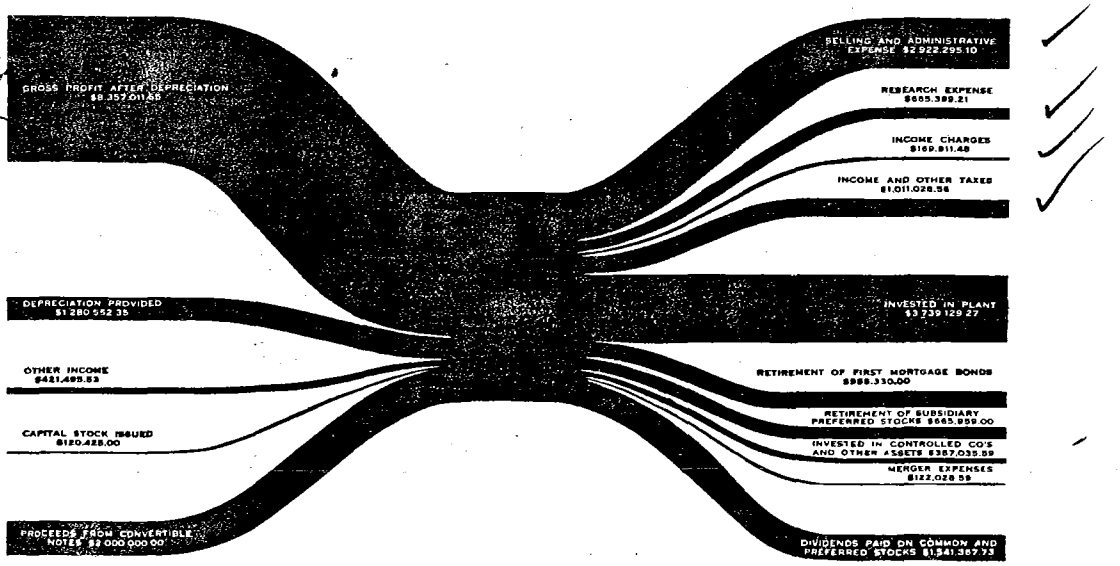
In order to accomplish desirable economies, it was necessary to retire these preferred stocks and to refund our first mortgage bonds at prevailing low interest rates. In addition, avenues for remunerative investment of some additional capital developed and in view of our constant demand for such capital for plant, sound financing indicated the refunding of these obligations in a manner which would supply it permanently and which would release for dividend or other corporate purposes earnings otherwise required for debt retirement.

Therefore, we sold at par an issue of $2,000,000 2½% 10-year Convertible Notes. These notes were convertible into common stock for a period of two years, ending May 1, 1937, if not previously called, at $60 a share, and increasing ten points each two years until the conversion price reached $100 a share. A favorable market induced conversion of the entire issue much earlier than was anticipated when it was sold. This conversion and the Swann acquisition accounts for substantially all of the increase in our capital and capital surplus accounts.

The saving in bond interest and preferred dividends (effected by this financing) that is available to the common stock, amounts to $84,524 per annum and equals $3.31 per share on 25,518 shares—that portion of the issue that was required for retirement of the bonds and preferred issues.

Our capital stock is now our only capital. Neither funded debt nor preferred stock takes precedence over it. The preferred stock of our British subsidiary is senior

**SOURCE AND DISTRIBUTION OF 1935 FUNDS**



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only to our investment in that Company. Other than current accounts, there remains no debt.

The total assets increased from $26,904,719.78 at the end of the previous year to $35,839,664.91, and the book value of each share outstanding increased from $18.12 to $21.45.

* * * * *

There exists a contingent liability of this and other corporations, undeterminable in amount at this time. It is the huge Federal Government debt. General acceptance places the Federal deficit for the past fiscal year in excess of $3,500,000,000. During that year Federal income taxes of all corporations amounted to but $572,000,000. As industry and its shareholders jointly and individually must share the liquidation of this additional debt, it is obvious that our future earnings are subject to such tremendous burdens that the substance of any of the current year's reported earnings will be substantially diminished. Federal deficits are constantly mounting. In executive session with the Senate Finance Committee, Secretary of the Treasury Morgenthau projected a Federal deficit for the coming fiscal year in excess of $5,000,000,000, unless still additional taxes are levied.

The philosophy of recent legislation approaches the disfranchisement of success or position, individual or corporate, which is usually achieved by unusual talent and honest industry, and its reflection in confiscatory taxation probably reminds many of the emphatic protest this nation once made against "taxation without representation."

It is lamentable that the great body of citizens, whose votes are being bought with mortgages on the nation's future, do not realize that they are but receiving tomorrow's pay today and that in the inevitable reckoning everyone will be called upon for tribute.

* * * * *

Personnel is the motivating force and the greatest asset of any progressive organization. Our staff was augmented during the year by many capable and promising men, some of whom were acquired with The Swann Corporation. The transfer of their residences from one point to another was a matter of easy accomplishment, but the transfer of their true allegiance to a newly constituted authority was a more difficult management task. Every effort was made to make these men realize that they play



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important roles in the Monsanto organization. Any diminution of authority where it was well used has been avoided. On the contrary, in many cases it has been increased. Monsanto Incentives, whereby part of the profits or other considerations are used to reward performance above average, have been extended to the new executives and key men in the production and sales departments.

Changes in organization are usually necessary when new conditions develop. Our heavy program and increased responsibilities in the executive offices indicated the desirability of Mr. Charles Belknap, former President of our subsidiary, the Merrimac Chemical Company, moving to St. Louis to assume the duties of Executive Vice President. Mr. William M. Rand succeeded him as President of Merrimac Chemical Company. Several other changes of residences and responsibilities of important men were made, and present administrative requirements are, I believe, being efficiently discharged.

Raw material for future executives must be sifted and developed. Hence, many of the most prominent universities, which are recognized leaders in chemistry, are visited regularly. The most promising graduates or post graduates are interviewed, and those with special appeal are offered employment. In our selection, an attempt is made to keep any plant from becoming inbred, a likely result of having too many graduates of the same college. Also an attempt is made to bring some graduates of Eastern Colleges to the Middle West and vice versa.

Trees die from the top; industrial organizations also. Therefore, we are feeding our roots with carefully selected young men; we are pruning so the most vigorous shoots may thrive.

At the end of the year our employes totaled 4,054.

* * * * *

It has been inferred that the Chemical Industry is a beneficiary of wars. This is not true!

This impression may be the result of the temporarily large profits made by chemical enterprises that were in existence in this country prior to the outbreak of the World War. At that time America was wholly dependent upon Germany for intermediates, from which dyestuffs and pharmaceuticals are made, for a preponderant percentage of its requirements of the finished products, and for many other special chemicals. When the German supply was cut off, an acute shortage developed in world markets; prices leaped to fantastic heights. The demand deluged the then infant American industry



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and high prices tempted it to erect plant for production of intermediates, to expand manufacturing capacities of dyes and pharmaceuticals, and embark in the manufacture of other specialized products. Profits were large but if this Company may be taken as an example of the Industry, they were plowed back into plant. After America entered the war, excess profit taxes reduced materially the actual net returns, but America was supplied with products that were indispensable.

Upon the termination of the war, the Chemical Industry found itself with a large investment in hastily constructed and inefficient plant, and competition from efficient Germany. The mortality within the industry was tremendous. The situation was so acute that President Wilson proclaimed an embargo on imports of all organic chemical products that were being made here in adequate quantity and saved the nation from a return to its former complete dependency for chemicals upon Germany. Under the protection of this embargo and the tariffs which replaced it in 1922, the American Chemical Industry, through painstaking and costly research, and the constant rebuilding and refinement of plant, was finally able to equal, and in many cases surpass, its German counterpart.

The American market is now supplied from American sources with all chemicals necessary to the nation at peace or at war!—and at prices that are in most instances below those prevailing in pre-war days. The acute chemical shortage of 1914 will never be repeated!

With the exception of phenol, which is the base of picric acid—a high explosive—, nitric acid and other products which have tremendous utilitarian value in times of peace—Monsanto does not manufacture any so-called war materials. It is probable that in an emergency our facilities would be converted and some of our products utilized in the production of explosives and war gases. Undoubtedly, large quantities of steel, medicines, textiles, paints, automotive supplies, rubber, and other goods would be required, in the manufacture of which our products are essential. Naturally, our organization in common with all industry would respond patriotically with every contribution it could make to National Defense, and our plant and personnel would be placed at the disposal of the government.

There could be no benefit, however, resulting from war. In times of war all normal progress ceases; organizations are disrupted. Whatever balance of supply and demand exists is completely dislocated and the consequent lengthy readjustment is costly. In the rush of destruction, the nation's accumulated wealth of youth and material is wasted.



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How can our Company or our Industry but suffer with the nation from such a catastrophe?

To the best of our knowledge Monsanto products are not being used in any current conflict.

* * * * *

Our research and development expenditures for 1935, totaling $687,978.08, were the largest in our history. In establishing our budget for 1936, a greater amount has been set aside. These successive increases have been made only after serious consideration. Given able men and proper planning and coordination, research is not only the source of future profits, but constitutes the best form of insurance for the preservation of a profitable position in an industry which undergoes rapid and varied changes. Opportunities for increasing our present efficiency, finding new outlets for current products and developing new ones that logically fall within our sphere are numerous. I feel confident that the future will justify our emphasis upon this activity.

* * * * *

Economic conditions attending the advent of 1936 are in pleasant contrast with the early stages of the past several years. Labor has greater employment and higher pay; industry and agriculture have greater earnings; values of stocks and bonds, city and farm real estate have improved; money is plentiful, and abundant credit is available to established industry. Many industries remain depressed, but there is ample evidence that the durable goods industries are finally getting under way.

Nineteen thirty-five witnessed many new industries make all-time high records of production. They provided new outlets for the products of other factories and new avenues for the utilization of labor. With our large and ingenious population, and the great abundance of raw materials that America provides, it was inevitable that this should be so. Its realization, in spite of unusual obstacles, should provide confidence that our country, if not hampered unreasonably, will regain world leadership of scientific and industrial progress.

If so, American industry, by transforming luxuries of the present into necessities of the future, by providing greater durability and utility, and by lowering costs—thus broadening availability—will continue to provide in increasing degree for the comfort,



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welfare, and entertainment of mankind. It will raise still higher our standards of living! It will continue to provide direct and indirect employment for a steadily rising percentage of our population, and in this development the chemical industry is destined to take an important part, as it will create and supply new tools to those other industries which touch directly the ultimate consumers.

In order to fulfill our part, we have projected a comprehensive program for 1936. Involved are the acquisition of phosphate mines and reserves to secure and lower the cost of this important raw material. The revamping and probable change in location of some operations will also lower costs, resulting, we believe, in expanded uses for their output. The erection of plant to produce several new products, that have passed through the development stage, and additional auxiliary facilities which are required, have been included. The completion of this program should tend to stabilize, at least, our current earnings.

An audited balance sheet as of the year-end and income account as well as comparative balance sheets, operating and other accounts are submitted for your further information.

Respectfully,
EDGAR MONSANTO QUEENY
*President*

St. Louis, Missouri,
March 6, 1936.



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HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

418 OLIVE STREET
SAINT LOUIS

## ACCOUNTANTS' CERTIFICATE

Monsanto Chemical Company:

We have made an examination of the consolidated balance sheet of Monsanto Chemical Company and its American subsidiary companies as of December 31, 1935, and of the related statements of income and surplus for the year 1935. In connection therewith we made a review of the accounting methods, examined or tested, in a manner and to the extent which we considered appropriate in view of the companies' systems of internal accounting control, accounting records of the companies and other supporting evidence, and made a general review of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

We accepted the reports of Messrs. Whinney, Smith & Whinney, London, England, on their examinations of the British subsidiary company, Monsanto Holdings Limited, and its subsidiary company.

In our opinion, subject to the foregoing, the accompanying consolidated balance sheet and related statements of consolidated income and surplus fairly present, in accordance with accepted principles of accounting consistently followed by the companies during the year under review, the consolidated financial condition of the companies at December 31, 1935, and the consolidated results of their operations for the year ended that date.

Haskins & Sells

February 21, 1936.



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# MONSANTO CHEMICAL COMPAN

INCORPORA

## Consolidated Balan

### ASSETS

**CURRENT ASSETS:**

| | | |
|---|---|---|
| Cash | $ 3,685,082.53 | |
| Notes and accounts receivable, less reserve | 2,794,105.75 | |
| Inventories — at substantially the lower of cost or market | 5,165,088.61 | $11,644,276.89 |

**OTHER ASSETS:**

| | | |
|---|---|---|
| Due from officers and employes on purchases of capital stock | $ 128,062.00 | |
| Investments in controlled companies | 238,108.75 | |
| Miscellaneous investments — at cost or lower | 702,184.62 | 1,068,355.37 |

**PLANT PROPERTY:**

| | | |
|---|---|---|
| Land | $ 1,512,204.83 | |
| Buildings | 5,638,157.39 | |
| Machinery and equipment | 15,833,477.41 | 22,983,839.63 |

| | |
|---|---|
| PATENTS AND PROCESSES | 1.00 |
| DEFERRED CHARGES | 143,192.02 |
| TOTAL | $35,839,664.91 |

NOTE: The assets and liabilities of the British



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# ID SUBSIDIARY COMPANIES

LAWARE

t, December 31, 1935

## LIABILITIES

### CURRENT LIABILITIES:

| | | |
|---|---|---|
| Accounts payable | $1,470,673.31 | |
| Accrued items | 328,159.59 | |
| Estimated income taxes | 814,159.20 | $ 2,612,992.10 |

### RESERVES:

| | | |
|---|---|---|
| Depreciation and obsolescence | $7,785,573.78 | |
| For redemption of returnable containers | 548,677.39 | |
| For relocation and revaluation of properties, etc. | 565,133.97 | |
| For fluctuations of exchange | 234,298.05 | |
| For contingencies | 382,255.16 | 9,515,938.35 |

### CAPITAL STOCK AND SURPLUS:

| | | |
|---|---|---|
| Preference shares of British subsidiary—5½%, redeemable and cumulative of £1 each; authorized, 500,000 shares; outstanding, 400,000 shares | $1,940,000.00 | |
| Minority interest in American subsidiary | 342,085.34 | |
| Common stock — authorized, 1,250,000 shares of $10.00 each; outstanding, 999,123 shares | 9,991,230.00 | |
| Surplus applicable to common stock: | | |
| Paid-in surplus | 3,388,291.83 | |
| Earned surplus acquired from predecessor corporation | 274,050.89 | |
| Earned surplus | 7,775,076.40 | 23,710,734.46 |
| TOTAL | | $35,839,664.91 |

iary have been converted at $4.85 per £.



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# MONSANTO CHEMICAL COMPANY AND SUBSIDIARY COMPANIES

## Statement of Consolidated Income for the Year Ended December 31, 1935

| | | |
|---|---|---|
| NET SALES | | $24,705,574.67 |
| COST OF SALES | | 16,504,338.12 |
| GROSS PROFIT | | $ 8,201,236.55 |
| DEDUCT: | | |
| Selling and administrative expenses | $2,949,855.83 | |
| Research expenses | 687,978.08 | 3,637.833.91 |
| NET PROFIT | | $ 4,563,402.64 |
| OTHER INCOME | | 411,350.73 |
| GROSS INCOME | | $ 4,974,753.37 |
| INCOME CHARGES | | 320,053.30 |
| NET INCOME BEFORE PROVISION FOR INCOME TAXES | | $ 4,654,700.07 |
| PROVISION FOR INCOME TAXES | | 644,827.24 |
| NET INCOME | | $ 4,009,872.83 |
| DEDUCT—portion of net income applicable to minority interest in American subsidiary | | $ 70,121.59 |
| NET INCOME BEFORE PREFERRED DIVIDENDS OF $96,360.48, TRANSFERRED TO EARNED SURPLUS | | $ 3,939,751.24 |

NOTES:

The above figures include $263,099.50 representing the net income of The Swann Corporation and subsidiaries for the period from January 1, 1935, to May 7, 1935, the date of merger of The Swann Corporation into Monsanto Chemical Company.

Depreciation and obsolescence provided during the year amounted to $1,280,552.35.

The earnings of the British subsidiary have been converted at $4.85 per £.



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# MONSANTO CHEMICAL COMPANY AND SUBSIDIARY COMPANIES

## Statement of Consolidated Surplus Accounts, December 31, 1935

| | Paid-in Surplus | Earned Surplus Acquired from Predecessor Corporation | Earned Surplus |
|---|---|---|---|
| BALANCES, DECEMBER 31, 1934: | | | |
| Companies included in 1934 consolidation | $1,152,292.75 | $1,719,058.14 | $4,143,160.50 |
| Companies not included in 1934 consolidation | 142,257.82 | | 893,885.47 |
| Total | $1,294,550.57 | $1,719,058.14 | $5,037,045.97 |
| ADD: | | | |
| Net income for the year | | | 3,939,751.24 |
| Excess of book value of net assets acquired upon merger of The Swann Corporation et al. into Monsanto Chemical Company over par value of capital stock given therefor | 543,198.70 | | |
| Excess of face value of 2½% notes over par value of capital stock given in conversion thereof | 1,665,616.46 | | |
| Excess of value of investments over par value of capital stock given in settlement therefor | 56,876.92 | | |
| Net discount on purchase and retirement of preferred stocks of subsidiary companies | 37,641.00 | | |
| Total | $3,597,883.65 | $1,719,058.14 | $8,976,797.21 |
| DEDUCT: | | | |
| Cash dividends: | | | |
| Common stock | | $1,445,007.25 | |
| Preferred stocks of subsidiary companies | | | $ 96,360.48 |
| Surplus at May 7, 1935, of companies merged into Monsanto Chemical Company, transferred to reserve for relocation and revaluation of properties, merger expenses, etc. | $ 114,152.54 | | 1,105,360.33 |
| British subsidiary reorganization expenses written off | 67,334.00 | | |
| Appreciation eliminated from property accounts of Swann subsidiary companies prior to merger | 28,105.28 | | |
| Total | $ 209,591.82 | $1,445,007.25 | $1,201,720.81 |
| BALANCES, DECEMBER 31, 1935 | $3,388,291.83 | $ 274,050.89 | $7,775,076.40 |

## Statement of Reserve for Relocation and Revaluation of Properties, etc., December 31, 1935

| | | |
|---|---|---|
| SURPLUS OF THE SWANN CORPORATION and subsidiaries et al. at May 7, 1935, credited to reserve for relocation and revaluation of properties, merger expenses, etc. | | $1,219,512.87 |
| CHARGES SINCE MAY 7, 1935: | | |
| Write-down of investment in power companies to estimated realizable value | $411,438.71 | |
| Loss on sales, retirements, and write-down in value of plant and equipment | 120,911.60 | |
| Other charges, including expenses in connection with merger | 122,028.59 | 654,378.90 |
| BALANCE, DECEMBER 31, 1935 | | $ 565,133.97 |



DSW 331161

STLCOPCB4077805

# MONSANTO CHEMICAL COMPANY AND SUBSIDIARY COMPANIES

## Condensed Balance Sheets as of December 31, 1926 to 1935, inclusive

### ASSETS

| | 1935 | 1934 | 1933 | 1932 | 1931 | 1930 | 1929 | 1928 | 1927 | 1926 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and Marketable Securities | $ 3,685,082.53 | $ 3,538,659.97 | $ 2,305,643.10 | $ 2,566,954.43 | $ 2,206,111.88 | $ 2,080,830.47 | $ 1,638,913.43 | $ 1,205,194.39 | $ 562,579.17 | $ 70,706.22 |
| Accounts Receivable | 2,794,105.75 | 1,697,459.39 | 1,677,961.58 | 1,118,329.64 | 1,038,311.28 | 1,091,615.19 | 1,320,118.58 | 695,611.75 | 352,056.62 | 415,689.66 |
| Inventories | 5,165,088.61 | 4,110,022.98 | 3,227,824.03 | 2,738,482.01 | 2,651,082.07 | 3,298,230.98 | 3,873,059.96 | 1,747,084.14 | 1,321,182.00 | 1,579,073.15 |
| | $11,644,276.89 | $ 9,346,142.34 | $ 7,211,428.71 | $ 6,423,766.08 | $ 5,895,505.23 | $ 6,470,676.64 | $ 6,832,091.97 | $ 3,647,890.28 | $2,235,817.79 | $2,065,469.03 |
| Due on Employes' Purchases of Stock | 128,062.00 | 82,012.47 | 73,025.21 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Miscellaneous Investments | 940,294.37 | 1,631,458.28 | 1,269,956.30 | 323,141.88 | 263,859.86 | 86,111.69 | 73,267.53 | 58,108.15 | 680,313.93 | 673,163.93 |
| Land | 1,512,204.83 | 1,303,198.07 | 1,249,972.48 | 1,183,994.96 | 1,060,134.25 | 1,061,890.30 | 1,096,391.91 | 879,337.14 | 764,257.17 | 771,757.17 |
| Buildings | 5,638,157.39 | 3,640,351.62 | 3,250,652.33 | 3,227,336.70 | 3,656,232.43 | 3,858,089.58 | 3,678,942.10 | 2,225,271.91 | 1,646,076.79 | 1,639,964.60 |
| Machinery and Equipment | 15,833,477.41 | 10,702,924.00 | 9,630,431.71 | 8,972,938.62 | 10,987,247.63 | 12,163,192.47 | 12,353,275.92 | 5,194,647.49 | 3,825,906.82 | 3,873,233.06 |
| | $22,983,839.63 | $15,646,473.69 | $14,131,056.52 | [b]$13,384,270.28 | [a]$15,703,614.31 | $17,083,172.35 | $17,128,609.93 | $ 8,299,256.54 | $6,236,240.78 | $6,284,954.83 |
| Deferred Charges | 143,192.02 | 197,803.00 | 134,587.83 | 149,661.27 | 218,632.41 | 303,819.98 | 299,194.86 | 185,566.96 | 192,228.53 | 187,988.57 |
| | $35,839,664.91 | $26,903,889.78 | $22,820,054.57 | $20,280,839.51 | $22,081,611.81 | $23,943,780.66 | $24,333,164.29 | $12,190,821.93 | $9,344,601.03 | $9,211,576.36 |

### LIABILITIES

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accounts Payable | $ 1,470,673.31 | $ 1,080,117.61 | $ 1,089,864.35 | $ 737,519.51 | $ 729,796.51 | $ 760,363.43 | $ 1,052,115.87 | $ 476,756.39 | $ 174,680.31 | $ 221,251.68 |
| Accrued Items | 328,159.59 | 323,744.28 | 231,611.82 | 140,792.24 | 110,458.29 | 66,117.70 | 36,021.50 | 43,952.05 | 32,692.45 | 88,203.61 |
| Estimated Income Taxes | 814,159.20 | 616,387.30 | 553,286.07 | 239,279.22 | 100,000.00 | 205,246.30 | 291,205.17 | 170,247.74 | 81,875.44 | 61,905.72 |
| | $ 2,612,992.10 | $ 2,020,249.19 | $ 1,874,762.24 | $ 1,117,590.97 | $ 940,254.80 | $ 1,031,727.43 | $ 1,379,342.54 | $ 690,956.18 | $ 289,248.20 | $ 371,361.01 |
| Funded Debt | ..... | 954,500.00 | 1,030,500.00 | 1,544,500.00 | 1,631,000.00 | [c]2,050,622.05 | [c]2,167,550.80 | [c]2,173,550.80 | 2,000,000.00 | 2,403,000.00 |
| Reserve for Depreciation | 7,785,573.78 | 5,312,807.77 | 4,893,846.75 | [b]4,316,499.56 | 4,464,907.04 | 5,578,554.10 | 5,817,780.92 | 1,829,050.77 | 1,634,733.57 | 1,553,927.38 |
| Reserve for Redemption of Containers | 548,677.39 | 523,879.23 | 552,219.50 | 581,649.11 | 600,816.85 | 664,702.23 | 721,990.82 | 82,190.20 | 47,957.35 | 45,182.50 |
| Reserve for Contingencies, etc. | 1,181,687.18 | 497,942.20 | 438,536.53 | 232,829.39 | 517,378.69 | 1,920,404.30 | 1,926,739.00 | 69,416.08 | 61,353.47 | 61,138.86 |
| Minority Interest | 342,085.34 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Subsidiary Preferred Stock | 1,940,000.00 | 1,940,000.00 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Capital Stock | 9,991,230.00 | 8,640,000.00 | [d]4,320,000.00 | 7,119,950.00 | 7,150,000.00 | 7,150,000.00 | 6,638,104.58 | 4,186,800.00 | 3,666,666.66 | 3,100,000.00 |
| Paid In Surplus | 3,388,291.83 | 1,152,292.75 | [d]5,389,206.04 | [b]2,368,568.78 | 4,124,242.72 | 3,405,969.92 | 3,193,833.88 | 183,522.05 | ..... | ..... |
| Earned Surplus | 8,049,127.29 | 5,862,218.64 | 4,320,983.51 | 2,999,251.70 | 2,653,011.71 | 2,141,800.63 | 2,487,821.75 | 2,975,335.85 | 1,644,641.78 | 1,676,966.61 |
| Net Worth | $23,710,734.46 | $17,594,511.39 | $14,030,189.55 | [b]$12,487,770.48 | $13,927,254.43 | $12,697,770.55 | $12,319,760.21 | $ 7,345,657.90 | $5,311,308.44 | $4,776,966.61 |
| | $35,839,664.91 | $26,903,889.78 | $22,820,054.57 | $20,280,839.51 | $22,081,611.81 | $23,943,780.66 | $24,333,164.29 | $12,190,821.93 | $9,344,601.03 | $9,211,576.36 |
| Net Working Capital | $ 9,031,284.79 | $ 7,325,893.15 | $ 5,336,666.47 | $ 5,306,175.11 | $ 4,955,250.43 | $ 5,438,949.21 | $ 5,452,749.43 | $ 2,956,934.10 | $1,946,569.59 | $1,694,108.02 |

DSW 331162

STLCOPCB4077806

## Statements of Consolidated Income for years ending December 31, 1926 to 1935, inclusive

| | 1935 | 1934 | 1933 | 1932 | 1931 | 1930 | 1929 | 1928 | 1927 | 1926 |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Profit from Operations | $ 9,420,392.21 | $ 6,050,052.33 | $ 5,386,261.97 | $ 3,802,272.08 | $ 4,296,002.06 | $ 3,677,771.07 | $ 4,725,881.77 | $ 2,176,293.24 | $1,840,459.91 | $1,476,585.13 |
| Deduct: | | | | | | | | | | |
| Selling and Administrative Expenses | $ 2,930,187.43 | $ 1,798,659.65 | $ 1,517,634.72 | $ 1,217,636.81 | $ 1,320,293.01 | $ 1,484,595.84 | $ 1,584,970.80 | $ 548,194.22 | $ 445,895.79 | $ 432,796.24 |
| Depreciation and Obsolescence | 1,280,552.35 | 898,612.10 | 849,696.28 | 943,186.43 | 977,008.28 | 947,615.64 | 815,536.76 | 371,681.43 | 334,374.60 | 296,449.20 |
| Research Expenses | 665,399.21 | 456,356.13 | 371,566.68 | 383,411.87 | 463,955.37 | 453,148.03 | 424,847.33 | 128,979.34 | 112,101.77 | 76,383.75 |
| Total | $ 4,876,138.99 | $ 3,153,627.88 | $ 2,738,897.68 | $ 2,544,235.11 | $ 2,761,256.66 | $ 2,885,359.51 | $ 2,825,354.89 | $ 1,048,854.99 | $ 892,372.16 | $ 805,629.19 |
| Net Profit from Operations | $ 4,544,253.22 | $ 2,896,424.45 | $ 2,647,364.29 | $ 1,258,036.97 | $ 1,534,745.40 | $ 792,411.56 | $ 1,900,526.88 | $ 1,127,438.25 | 948,087.75 | $ 670,955.94 |
| Other Income | 421,495.53 | 371,742.50 | 235,593.13 | 199,629.18 | 189,044.91 | 199,875.58 | 171,812.82 | 108,014.94 | 25,592.82 | 7,696.49 |
| Gross Income | $ 4,965,748.75 | $ 3,268,166.95 | $ 2,882,957.42 | $ 1,457,666.15 | $ 1,723,790.31 | $ 992,287.14 | $ 2,072,339.70 | $ 1,235,453.19 | $ 973,680.57 | $ 678,652.43 |
| Income Charges | 311,048.68 | 147,882.33 | 250,491.16 | 213,420.90 | 271,079.22 | 154,525.90 | 151,197.10 | 159,254.97 | 218,058.66 | 277,245.17 |
| Net Income | $ 4,654,700.07 | $ 3,120,284.62 | $ 2,632,466.26 | $ 1,244,245.25 | $ 1,452,711.09 | $ 837,761.24 | $ 1,921,142.60 | $ 1,076,198.22 | $ 755,621.91 | $ 401,407.26 |
| Provision for Income Taxes | 644,827.24 | 482,244.45 | 411,259.27 | 231,546.75 | 171,928.51 | 105,076.98 | 229,804.54 | 131,760.00 | 83,000.00 | 60,000.00 |
| Net Profit | $ 4,009,872.83 | $ 2,638,040.17 | $ 2,221,206.99 | $ 1,012,698.50 | $ 1,280,782.58 | $ 732,684.26 | $ 1,691,338.06 | $ 944,438.22 | $ 672,621.91 | $ 341,407.26 |
| Less Minority Interest | 70,121.59 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Net Profit | $ 3,939,751.24 | $ 2,638,040.17 | $ 2,221,206.99 | $ 1,012,698.50 | $ 1,280,782.58 | $ 732,684.26 | $ 1,691,338.06 | $ 944,438.22 | $ 672,621.91 | $ 341,407.26 |
| Cash Dividends Paid | $1,541,367.73 | $ 1,017,575.32 | $ 867,810.68 | $ 533,008.13 | $ 535,273.45 | $ 515,560.94 | $ 382,938.13 | $ 275,000.00 | $ 185,927.00 | $ 31,000.00 |
| Shares Outstanding | [j]999,123 $10 Par Value | [i]864,000 $10 Par Value | 432,000 $10 Par Value | 427,197 No Par Value | 429,000 No Par Value | [b]429,000 No Par Value | [g]398,286 No Par Value | [f]125,604 No Par Value | [e]110,000 No Par Value | 62,000 $50 Par Value |
| Number of Shareholders: | | | | | | | | | | |
| Of Subsidiary Preferred Stock | 957 | 964 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Of Capital Stock | 5,191 | 4,129 | 3,696 | 4,013 | 3,701 | 3,313 | 2,532 | 473 | 55 | 53 |

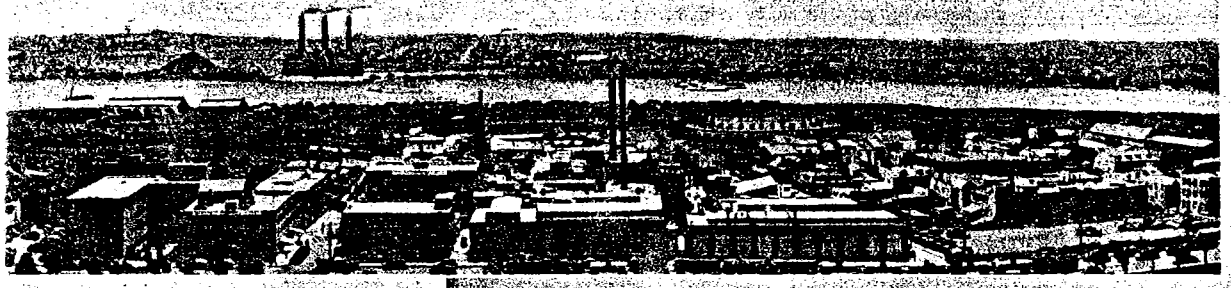
Principal changes are accounted for as follows:

[a] Woburn Plant abandoned. [b] Plant written down by $2,854,846.45 to 1932 Replacement Costs, $794,587.43 charged to Depreciation Reserve, $2,060,259.02 to Paid In Surplus. [c] Includes Purchase Money Obligations. [d] Shares changed from no par value (stated value $16⅔) to par value of $10.00 balance transferred to Paid In Surplus. [e] Stock split 1½ for 1 and 7½% stock dividend paid, 10,000 shares sold to bankers. [f] 15,715 shares sold to stockholders at $50. [g] Rubber Service Laboratories, Commonwealth Chemical Co. and Merrimac Chemical Co., acquired for stock—stock split 2 for 1—stock dividends totaling 13% paid. [h] 7½% stock dividend paid. [i] Stock split 2 for 1. [j] Swann Corporation acquired for stock and 2½% Notes converted into stock.

DSW 331163

STLCOPCB4077807

# MANUFACTURING



ST. LOUIS, MO.

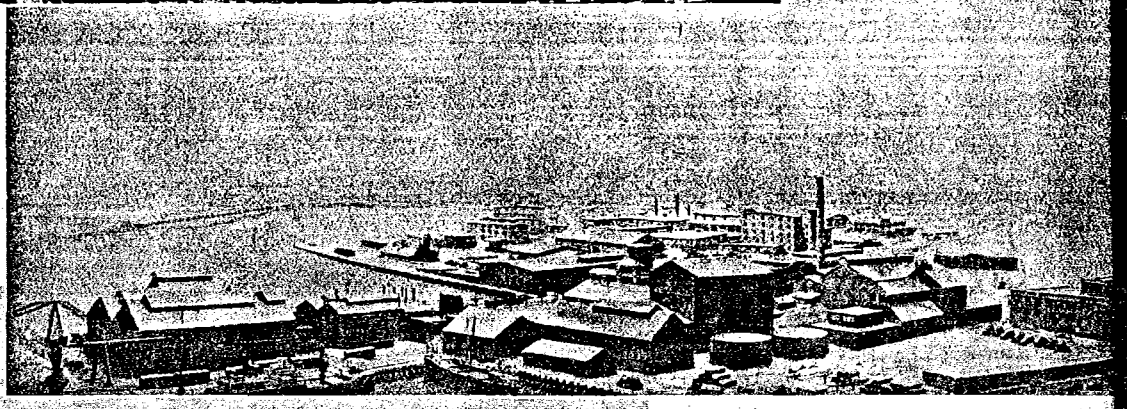
•

Fine and medicinal chemicals, intermediates, specialties

NITRO, W. VA.

•

Rubber chemicals, mining chemicals, specialties





EVERETT, MASS.

•

Heavy chemicals, lacquers, solvents, alcohol

CAMDEN, N. J.

•

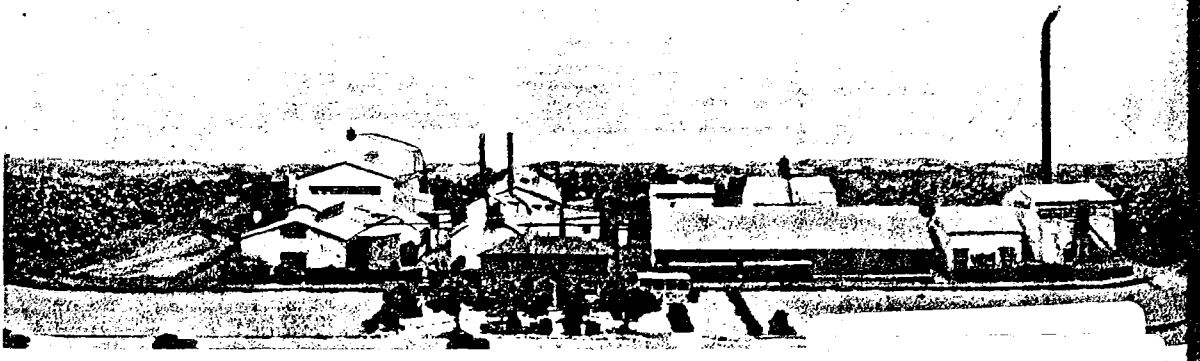
Lampblack, bone ash



NORFOLK, VA.

•

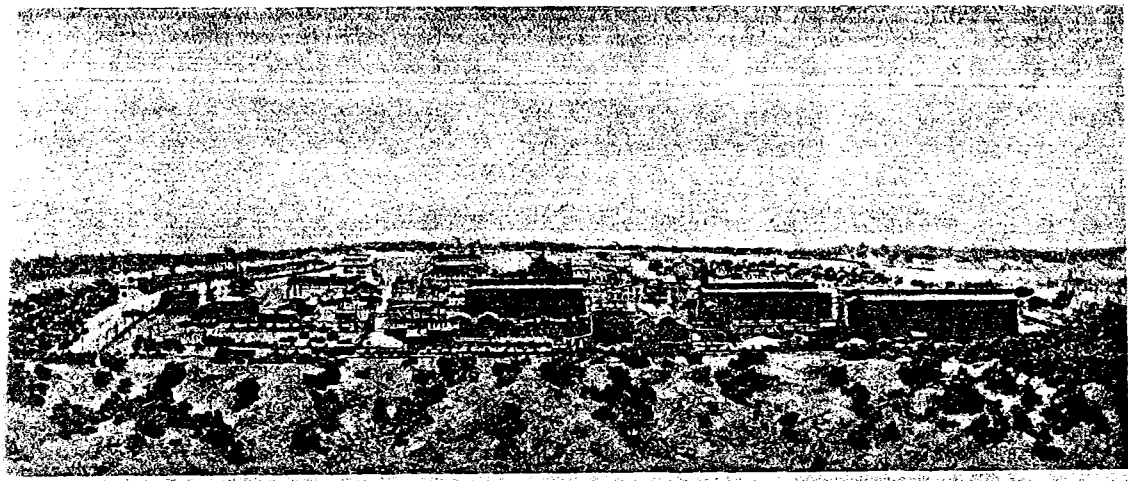
Fertilizer, theobromine



DSW 331164

STLCOPCB4077808

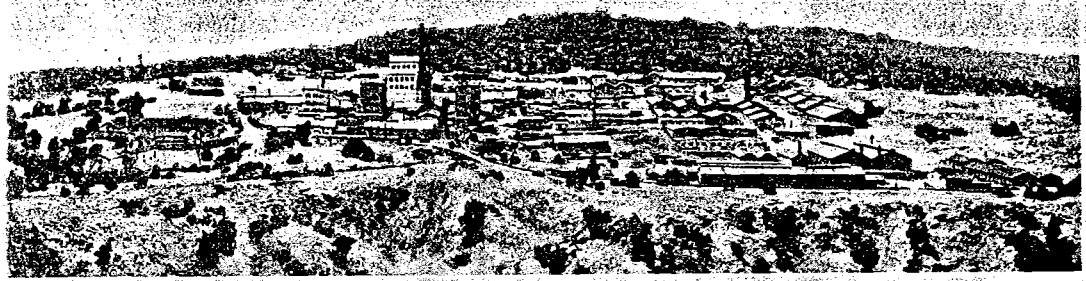
# ACILITIES



MONSANTO, ILL.

•

Heavy acids, chlorine, intermediates



SUNDERLAND, ENGLAND

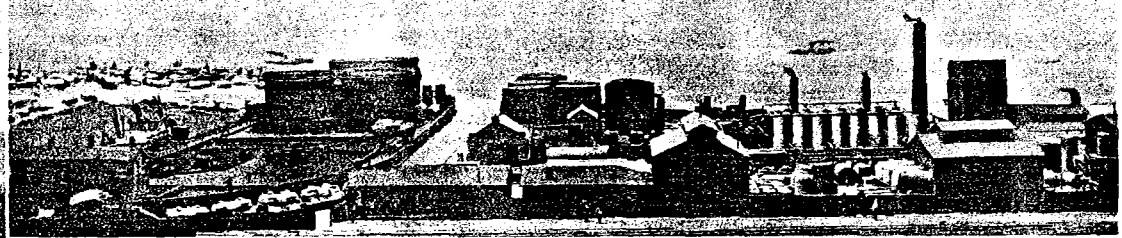
•

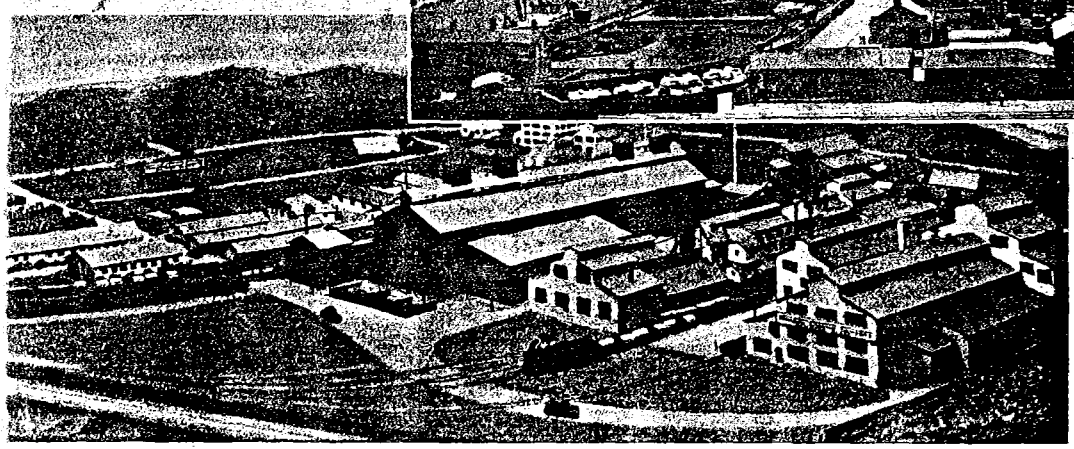
Coal tar distillates, cresols

RUABON, N. WALES

•

Fine chemicals, coal tar derivatives, rubber chemicals





ANNISTON, ALA.

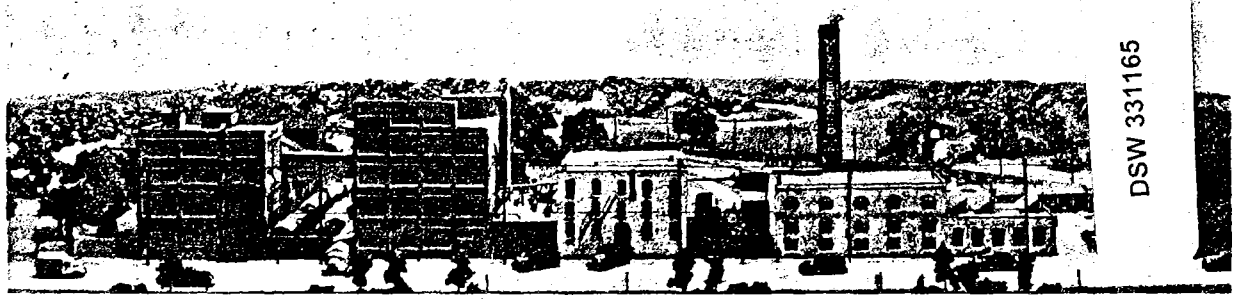
•

Phosphoric acid and phosphates, calcium carbide, abrasives

:ARONDELET, MO.

•

Phosphate salts



DSW 331165

STLCOPCB4077809

# MONSANTO CHEMICAL COMPANY

ST. LOUIS, U. S. A.

## DISTRICT OFFICES

30 Rockefeller Plaza, NEW YORK
Tribune Tower, CHICAGO
Everett Station, BOSTON
Brown Marx Building, BIRMINGHAM
Johnston Building, CHARLOTTE
Midland Building, CLEVELAND
373 Brannan Street, SAN FRANCISCO
Second National Bldg., AKRON
378 St. Paul St., West, MONTREAL
Victoria Station House, LONDON
Hong Kong & Shanghai Bank Bldg., SHANGHAI
37C Robinson Road, SINGAPORE

## DIRECTORS

| | | | |
|---|---|---|---|
| CHARLES BELKNAP | St. Louis | LLOYD F. NICKELL | London |
| G. LEE CAMP | St. Louis | EDGAR MONSANTO QUEENY | St. Louis |
| GASTON DUBOIS | St. Louis | WILLIAM M. RAND | Boston |
| JOHN W. LIVINGSTON | St. Louis | THEODORE RASSIEUR | St. Louis |
| WALTER W. SMITH | St. Louis | | |

## OFFICERS

| | | | |
|---|---|---|---|
| EDGAR MONSANTO QUEENY | President | CHARLES BELKNAP | Executive Vice-President |
| GASTON DUBOIS | Vice-President | G. LEE CAMP | Vice-President |
| JOHN W. LIVINGSTON | Vice-President | VICTOR E. WILLIAMS | Assistant Vice-President |
| JULIUS A. BERNINGHAUS | Assistant Vice-President | LYNN A. WATT | Assistant Vice-President |
| LUCAS P. KYRIDES | Assistant Vice-President | HARVEY M. HARKER | Assistant Vice-President |
| F. BURTON LANGRECK | Assistant Vice-President | SAMUEL W. ALLENDER | Assistant to President |
| FRED A. ULMER | Treasurer and Comptroller | WILLIAM W. SCHNEIDER | Secretary |
| EDWIN J. CUNNINGHAM | Assistant Comptroller | JOSEPH R. MARES | Assistant Secretary |
| JOHN W. LUDWIG | Assistant Comptroller | CHARLES E. CASPARI, JR. | Assistant Secretary |
| STEPHEN LOUIS | Assistant Treasurer | JOHN F. MARTIN | Assistant Treasurer |
| WILLIAM J. GOLDSWORTHY | Auditor | | |

**TRANSFER AGENT**
Guaranty Trust Company of New York

**REGISTRAR**
The Chase National Bank of New York

DSW 331166



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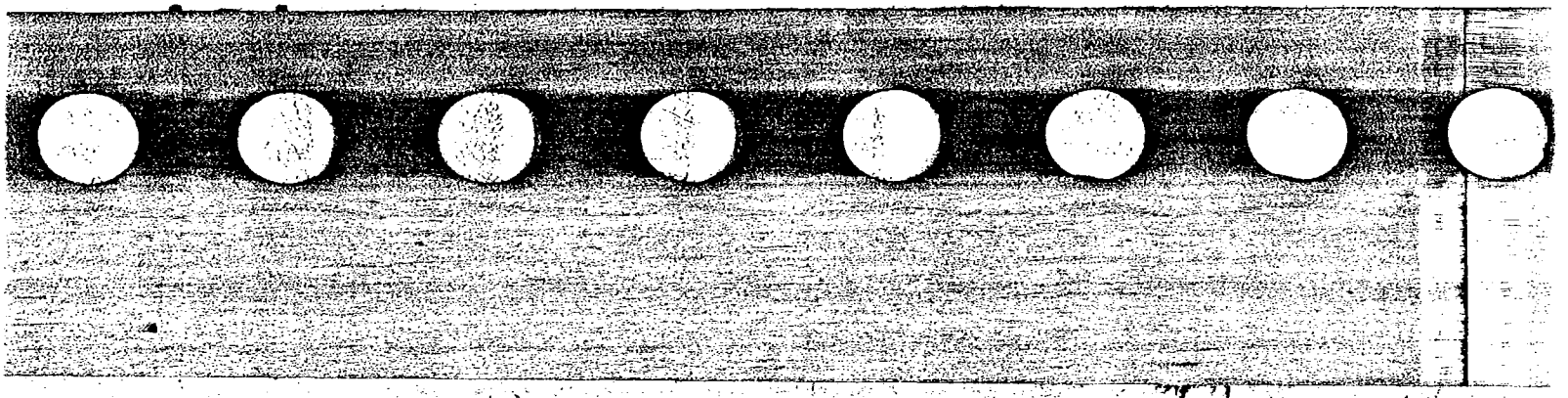

NOTICE OF A SPECIAL MEETING OF THE STOCKHOLDERS

of

THE SWANN CORPORATION

---

Notice is hereby given that a special meeting of the stockholders of The Swann Corporation has been called by the Board of Directors and will be held on Monday, the 29th day of April, 1935, at 10 o'clock in the forenoon at the office of the corporation, 930 Brown-Marx Building, in the City of Birmingham, Alabama.

The object of said meeting is to consider, vote and act on a certain Agreement of Merger and Consolidation, which will be submitted to the stockholders at said meeting for their consideration, and which provides for the merger, in accordance with the General Corporation Law of Delaware, of Monsanto Chemical Company, The Swann Corporation, Chemical Investors, Inc., and The Phosphorus Corporation, into a single corporation, which will be Monsanto Chemical Company, one of the said constituent corporations. A copy of said Agreement is on file at the aforesaid office of the corporation for inspection of its stockholders. Said Agreement has heretofore been approved by the Board of Directors of each of said corporations, and signed by a majority of the directors of each. If adopted by the votes of the stockholders of each such corporation representing two-thirds of the total number of shares of its capital stock, each share entitling the holder thereof to one vote, the merger will be made effective in the manner provided by law.

By order of the Board of Directors.

Dated March 30, 1935.

THEODORE SWANN,
President.

H. A. McWHORTER,
Secretary.

DSW 331167

STLCOPCB4077811

# THE SWANN CORPORATION

BIRMINGHAM, ALABAMA

March 28, 1935.

TO THE STOCKHOLDERS

Today your board of directors considered a proposed Agreement of Merger and Consolidation providing for the issuance of one share of common stock of Monsanto Chemical Company, St. Louis, Missouri, for four and one-half shares of The Swann Corporation stock. This places a value of $13.16 2/3 per share on The Swann Corporation stock based on the closing sale of Monsanto Chemical Company stock March 26, at $59.25.

Your board of directors, after careful consideration, voted unanimously to approve the Agreement and to recommend it to the stockholders for their favorable action. A meeting of The Swann Corporation stockholders has been called for April 29 as per the enclosed notice.

For your information I am enclosing a copy of our financial statement as of December 31, 1934, also the Annual Report of the Monsanto Chemical Company for the year 1934, together with a book "How Monsanto Serves" which will give you a good idea of the products they manufacture.

It is obvious that the proposed merger will offer a more diversified line of chemical products to an automatically increased market. The two companies are non-competitive. This consolidation should enhance the opportunities for future favorable developments --- with corresponding benefits to stockholders.

Theodore Swann

President.

DSW 331168

STLCOPCB4077812

# THE SWANN CORPORATION AND SUBSIDIARY COMPANIES
## CONDENSED CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1934

| | | AMOUNT | % |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS:- | | | |
| CASH ON HAND AND IN BANKS | | 260,380.55 | 3.87 |
| CUSTOMERS' NOTES AND ACCOUNTS RECEIVABLE, (LESS RESERVE $ 37,721.56) | | 393,015.99 | 5.85 |
| MISCELLANEOUS ACCOUNTS RECEIVABLE | | 3,733.79 | .06 |
| INVENTORIES | | 841,227.36 | 12.52 |
| CASH VALUE OF LIFE INSURANCE POLICIES ON LIFE OF OFFICERS | | 42,593.75 | .63 |
| MARKETABLE SECURITIES | | 5,870.00 | .09 |
| INTEREST RECEIVABLE | | 151.25 | - |
| TOTAL CURRENT ASSETS | | 1,546,972.69 | 23.02 |
| DUE FROM OFFICERS AND EMPLOYEES | | 7,742.52 | .12 |
| INVENTORIES:- | | | |
| SWANN FERTILIZER COMPANY | | 2,264.01 | .03 |
| MISCELLANEOUS INVESTMENTS | | 56.81 | - |
| TOTAL INVESTMENTS | | 2,320.82 | .03 |
| PLANT PROPERTY:- | | | |
| LAND | | 180,093.27 | 2.68 |
| BUILDINGS | | 1,383,183.56 | 20.58 |
| MACHINERY AND EQUIPMENT | | 2,349,056.04 | 34.96 |
| NEW CONSTRUCTION | | 51,801.98 | .77 |
| TOTAL PLANT PROPERTY | | 3,964,134.85 | 58.99 |
| UNDEVELOPED POWER SITES | | 1,182,338.74 | 17.59 |
| PATENTS AND PROCESSES | | 1.00 | - |
| OPTION PAYMENTS | | 37.00 | - |
| DEFERRED CHARGES:- | | | |
| PREPAID ITEMS | | 13,009.63 | .19 |
| OTHER DEFERRED CHARGES | | 3,930.89 | .06 |
| TOTAL DEFERRED CHARGES | | 16,940.52 | .25 |
| TOTAL ASSETS | | 6,720,488.14 | 100.00 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES:- | | | |
| NOTES PAYABLE:- | | | |
| BANK | | 250,000.00 | 3.72 |
| ACCOUNTS PAYABLE | | 131,034.29 | 1.95 |
| FEDERAL AND STATE INCOME TAXES | | 66,990.90 | 1.00 |
| MISCELLANEOUS ACCRUED ACCOUNTS | | 19,009.65 | .28 |
| DIVIDENDS DECLARED AND UNPAID | | 10,724.50 | .16 |
| TOTAL CURRENT LIABILITIES | | 477,759.34 | 7.11 |
| NOTES AND INTEREST PAYABLE:- | | | |
| NOTES AND INTEREST PAYABLE OF HIWASSEE POWER CO. | | 309,541.66 | 4.60 |
| RESERVES:- | | | |
| DEPRECIATION FIXED CAPITAL | | 1,896,159.61 | 28.21 |
| INTEREST ON ADVANCES TO WATER POWER COMPANIES | | 336,509.15 | 5.01 |
| CONTINGENCIES | | 31,990.00 | .48 |
| TOTAL RESERVES | | 2,264,658.76 | 33.70 |
| CAPITAL STOCK:- | | | |
| PREFERRED:- | | | |
| SUBSIDIARY COMPANIES (HELD BY OUTSIDE INTEREST) | | | |
| PROVIDENT CHEMICAL WORKS 1,354 SHARES | | 135,400.00 | 2.02 |
| THE CLIFF-BRUFF CHEMICAL CO. 682 SHARES | | 68,200.00 | 1.01 |
| WILCKES, MARTIN, WILCKES CO. 5,000 SHARES | | 500,000.00 | 7.44 |
| COMMON - THE SWANN CORPORATION:- | | | |
| CLASS A 208,868 SHARES) | | | |
| CLASS B 300,000 SHARES) | | 1,963,514.83 | 29.22 |
| TOTAL CAPITAL STOCK | | 2,667,114.83 | 39.69 |
| SURPLUS:- | | | |
| CAPITAL SURPLUS | | 142,257.82 | 2.11 |
| EARNED SURPLUS AFTER CHARGES | 462,676.93 | | |
| ADD: NET INCOME FOR THE YEAR | 396,478.80 | 859,155.73 | 12.79 |
| TOTAL SURPLUS | | 1,001,413.55 | 14.90 |
| TOTAL LIABILITIES | | 6,720,488.14 | 100.00 |
| RATIO - CURRENT ASSETS TO CURRENT LIABILITIES | | 3.24 | |
| CONTINGENT LIABILITIES:- | | | |
| WILCKES, MARTIN, WILCKES COMPANY'S PREFERRED DIVIDENDS ON CUMULATIVE PREFERRED STOCK-21 MONTHS @ $2,500.00 PER MONTH | | 52,500.00 | |

FEBRUARY 12, 1935

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## THE SWANN CORPORATION AND SUBSIDIARY COMPANIES

### STATEMENT OF CONSOLIDATED INCOME, FOR THE YEARS ENDED DECEMBER 31, 1934 AND 1933, AND COMPARISON

| | YEAR ENDED DECEMBER 31, 1934 | YEAR ENDED DECEMBER 31, 1933 | INCREASE DECREASE |
|---|---|---|---|
| GROSS PROFIT FROM OPERATIONS, BEFORE DEPRECIATION AND OBSOLESCENCE | $1,898,471.65 | $1,808,755.14 | $ 89,716.51 |
| DEDUCT: | | | |
| SELLING AND ADMINISTRATIVE EXPENSES | $ 763,404.24 | $ 829,700.05 | $-66,295.81 |
| DEPRECIATION AND OBSOLESCENCE | 220,511.16 | 218,368.90 | 2,142.26 |
| RESEARCH EXPENSES | 149,413.74 | 152,202.27 | - 2,788.53 |
| TOTAL | $1,133,329.14 | $1,200,271.22 | $-66,942.08 |
| NET PROFIT FROM OPERATIONS | $ 765,142.51 | $ 608,483.92 | $156,658.59 |
| OTHER INCOME: | | | |
| INTEREST EARNED | $ 1,671.29 | $ 1,948.07 | $- 276.78 |
| OTHER | 33,386.47 | 33,259.49 | 126.98 |
| TOTAL | $ 35,057.76 | $ 35,207.56 | $- 149.80 |
| GROSS INCOME | $ 800,200.27 | $ 643,691.48 | $156,508.79 |
| INCOME CHARGES | $ 336,730.57 | $ 231,886.44 | $104,844.13 |
| NET INCOME, BEFORE PROVISION FOR INCOME TAXES | $ 463,469.70 | $ 411,805.04 | $ 51,664.66 |
| PROVISION FOR INCOME TAXES | 66,990.90 | 32,765.30 | 34,225.60 |
| NET INCOME FOR THE YEAR TRANSFERRED TO SURPLUS | $ 396,478.80 | $ 379,039.74 | $ 17,439.06 |

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# MONSANTO CHEMICAL COMPANY

GENERAL OFFICES

SAINT LOUIS

CABLE ADDRESS
MONSANTO-ST. LOUIS

May 16, 1935.

TO STOCKHOLDERS OF
MONSANTO CHEMICAL COMPANY:

Stockholders of both The Swann Corporation and Monsanto Chemical Company at their respective meetings approved the merger of The Swann Corporation into Monsanto, and I am glad to advise that it is now effective. I am confident this acquisition will prove to be an advantageous one.

Operations and sales during the quarter ended March 31, 1935, were at a high level and unaudited net operating profits of Monsanto Chemical Company for the period were $757,195 which after subsidiary preferred dividend requirements amounts to 85.3c a share on the 864,000 shares outstanding. Adding our proportion of undivided earnings of controlled subsidiaries and including earnings of The Swann Corporation for the period, total net earnings were $925,324. This amounts to 96.4c per share on 959,554 shares to be outstanding, after exchange of stock has been effected.

This compares with $674,117 or 78c per share earned in the corresponding quarter of 1934.

Current sales continue at a satisfactory level.

A consolidated Balance Sheet and Income Statement will be issued with our report for the second quarter.

Edgar M. Queeny

*President.*

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