



Transamerica Corporation



A N N U A L R E P O R T

1946



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Transamerica Corporation

[Incorporated under the laws of Delaware]

MONTGOMERY STREET AT COLUMBUS AVENUE

SAN FRANCISCO 11, CALIFORNIA

BOARD OF DIRECTORS

A. P. GIANNINI, *Chairman*

JUDGE RUSS AVERY

GEO. J. DeMARTINI

SAM H. HUSBANDS

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EXECUTIVE COMMITTEE

P. A. BRICCA

L. M. GIANNINI

A. P. JACOBS

GEO. J. DeMARTINI

E. D. WOODRUFF

TRANSFER AGENTS

CITY BANK FARMERS TRUST COMPANY
New York

BANK OF AMERICA N. T. & S. A.
San Francisco

REGISTRARS

THE CHASE NATIONAL BANK OF THE CITY
OF NEW YORK

CROCKER FIRST NATIONAL BANK OF
SAN FRANCISCO

Transamerica Corporation

ANNUAL REPORT TO SHAREHOLDERS

1946

San Francisco, California

March 14, 1947

TO THE SHAREHOLDERS:

Although the interests of Transamerica Corporation are varied, its most important investments are in banks, other financial institutions and industries of the Far West. This region benefited more than any other by population shifts that occurred during war years. A postwar phenomena has been the westward migration of industry and the expansion of western concerns. Today the Pacific Coast states hold 10 per cent of the nation's population, enjoy 12 per cent of the national income, and account for 13 per cent of all retail sales.

It is with this area and its great potentialities that Transamerica Corporation and its numerous subsidiaries are most closely identified. Transamerica's fortunes go hand in hand with the development of California and the other far western states.

Net Profit and Dividends

Net profit for 1946 of Transamerica Corporation and all domestic subsidiaries, after provision for minority interests, was \$15,574,556.48, or \$1.57 a share on the 9,935,650 shares of stock outstanding. For 1945, net profit was \$18,465,232.98, or \$1.85 a share, including \$5,841,359, or 59 cents a share, of deferred income derived from the liquidation of The Axton-Fisher Tobacco Company and profit on sale of tobacco. Neither year's profit includes Transamerica's equity in the undistributed earnings of Bank of America N. T. & S. A. and The National City Bank of New York. Results for 1946 include net profit on real estate sales of Capital Company; this change in accounting is explained in the real estate section of the report.

Cash dividends paid by Transamerica Corporation during 1946 aggregated \$7,948,520, or 80 cents a share. These dividends were the two usual half-yearly dividends of 25 cents a share and special dividends of 15 cents a share paid in January and July.

New Subsidiaries

In 1946, Transamerica acquired a controlling interest in the following banks:

	Total Resources at December 31, 1946
The First National Bank of Oakdale, California, and its affiliated savings bank	\$12,616,256
Benton County State Bank, Corvallis, Oregon . . .	11,111,177
First National Bank in Turlock, California	7,749,535
The First National Bank of Mountain View, California	4,198,482
Total	\$35,675,450

Occidental Corporation, an inactive Transamerica subsidiary, was revived during 1946 to purchase a 15 per cent stock interest in Far East Oil Development Co., Inc., a Philippine corporation, and to carry other Philippine investments which might be acquired. Far East Oil Development Co., Inc., reputedly owns the only private oil leases in the Philippines at the present time, consisting of 70,000 acres located in the northern part of the island of Cebu and on Bondoc Peninsula at the southwestern tip of Luzon. Refinancing of the company has been completed and resumption of drilling operations, halted by the war in 1941, is planned for 1947. Important and substantial Philippine interests are joined with Occidental Corporation in this enterprise, and Capital Company will participate in a managing and operating capacity.

In 1946, your corporation acquired the controlling interest in Columbia River Packers Association, Inc., and at the end of the year, the Transamerica group owned 75.12 per cent of the company's outstanding shares. Columbia River Packers, one of the largest seafood canners on the Pacific Coast, has been long engaged in processing fish products; it markets about 40 per cent of the total pack of Columbia River salmon and tuna from the northwest Pacific. Modern canneries are owned and operated at Nushagak and Naknek on Bristol Bay in Alaska, and in Oregon and Washington; a large cold storage plant is maintained at Astoria, Oregon. The company also operates a shipyard for the repair and construction of the fleet necessary to its extensive fishing operations. Its principal products are canned salmon, tuna, crabmeat and shad roe as well as frozen fish of various kinds, which are marketed under the nationally known brands of BUMBLE BEE, CLOVER LEAF, SWIFTWATER, BEACON, WEST COAST and COMMERCE.

Sales of \$9,064,159 in 1946 were the highest in the company's history; 1945 sales aggregated \$8,599,677. Net profit for the year was \$913,106, equivalent to \$13.66 a share on the company's stock.

This company is a valuable addition to the Transamerica subsidiaries, whose activities play a vital part in the economic development of the far western states. Financial statements of Columbia River Packers Association, Inc., are shown on pages 30 and 31 of this report.

An investment of \$100,000 in Olympic Frozen Foods, Inc., is included in the schedule on page 21. This corporation was formed to acquire from Capital Company, plants and equipment used in the processing of quick frozen fruits and vegetables, which plants were deeded to Capital Company in satisfaction of mortgage indebtedness.

Major Balance Sheet Changes

In 1946 additional shares of stock of The First National Bank of Eugene, The First National Bank of Crows Landing and various other controlled banks were purchased. The banking business of The Bank of Corning was sold to Bank of America N. T. & S. A. and the former bank was dissolved.

Acquisition of all the capital stock of Allied Building Credits, Inc. was announced in our previous annual report. Increased business made it appear desirable to enlarge the capital structure of this subsidiary in 1946. Its common capital stock was increased from \$3,000,000 to \$6,600,000, and \$4,000,000 of new 4 per cent cumulative preferred stock was issued; all of the stock is owned by Transamerica Corporation. The balance sheet item "Owing from subsidiaries" includes \$6,100,000 loaned to the company.

The increased investment in Pacific National Fire Insurance Company is accounted for by contributions made to the company and the acquisition of shares formerly held by a subsidiary.

At December 31, 1946, Transamerica Corporation's investments in domestic subsidiaries totalled \$64,221,371; at that date the adjusted book net asset value of those banks and companies aggregated \$109,732,015, indicating appreciation of \$45,510,644.

The carrying value of the corporation's investment in stock of Bank of America N. T. & S. A. was reduced from \$44,139,092 to \$42,057,134 during the year, largely by sales to subsidiaries. Pursuant to the provisions governing the issuance of preferred stock of Bank of America, Transamerica Corporation and its subsidiaries converted all holdings of preferred into common stock of the bank in June 1946, receiving approximately four shares of common for each three shares of preferred stock. At December 31, 1946, the corporation and its subsidiaries owned 1,904,037 shares, or 22.32 per cent, of the outstanding stock of the bank.

Other security investments held by Transamerica were reduced \$1,404,553 by the sale of various securities to subsidiaries, the group's holdings for the most part remaining unchanged. Profit on sales of securities by Transamerica Corporation to subsidiaries is not included in income, but is carried as de-

ferred income in the balance sheet, the account showing an increase of \$2,960,030 for the year.

At the end of 1946, other security investments having an aggregate market value at quoted prices of \$100,522,884 were carried for \$61,133,701, indicating an appreciation of \$39,389,183 over carrying value.

Banking Interests

At December 31, 1946, Transamerica Corporation owned a majority interest in 40 domestic banks operating 117 banking offices in California, Oregon, Nevada, Arizona, and Washington. The investment in these banks, as shown by the balance sheet at the year end, aggregated \$23,023,093. However, the portion of total capital funds of these banks applicable to Transamerica's investment aggregated \$42,404,649. This additional value of \$19,381,556 is comparable to \$16,220,295 at December 31, 1945; neither of these amounts include appreciation in the banks' holdings of U. S. Government and other securities.

The United States Treasury Department's policy of withdrawing war loan deposits to redeem Government securities resulted in reducing combined total deposits of Transamerica banks from \$1,273,449,833 to \$1,202,921,120 between year-ends. While War Loan deposits of these banks were reduced \$150,931,399, other deposits increased \$80,402,686, composed of a 5.78 per cent gain in demand deposits and a 10.16 per cent increase in savings deposits.

Practically every bank in the group reported another year of expanding loan volume; total loans of \$270,690,410 at December 31, 1946, compare with \$190,815,162 a year earlier.

Expenses of operation were higher in 1946, as a result of adjustments in salaries to meet the rising cost of living, as well as the increase in Federal Deposit insurance on enlarged deposits and higher costs in general. For the year 1946, the 40 controlled banks report combined net profits of \$8,162,477.

The First National Bank of Portland, retaining its position as the 28th largest bank in the nation, had total deposits of \$511,400,230 at December 31, 1946. Demand deposits, other than War Loan funds, increased \$24,353,305, and savings deposits advanced \$10,437,600, while War Loan deposits declined \$96,607,897. Loans and discounts at the year's close reached a high of \$108,654,409, up \$25,249,956 from the total a year previous. Net profit for 1946 was \$3,805,700, or \$10.57 a share.

Central Bank and its seven branches had total resources of \$125,385,410 at the close of the year. Loans and discounts aggregated \$49,773,455, an increase of \$12,918,516. Earnings of \$1,323,590 for 1946 were in comparison with \$1,166,664 for 1945. From the year's earnings \$545,328 was added to "Reserve for Bad Debts," increasing that unallocated reserve to \$967,373, dividends of \$320,000 were paid, and \$458,262 was added to capital funds.

A new branch was opened on August 1, 1946, at Lafayette, California, the first banking service provided in the community. The branch completed its first five months of operations with deposits in excess of \$1,000,000.

First National Bank in Santa Ana completed its 60th year of banking service to the people of Orange County, and reports highest total resources and capital funds in its history. Deposits, other than War Loan, increased \$696,383, more than offsetting the decline of \$563,543 in War Loan funds. Loans and discounts of \$3,389,202 at December 31, 1946, compare with \$1,465,437 at the previous year-end. Net profit for 1946 was \$192,212, as against \$98,895 for 1945.

First National Bank of Nevada and its branches at December 31, 1946, reported total resources of \$122,892,482 and deposits of \$116,471,780. Reaching a new high, loans at the year-end aggregated \$24,710,568, rising from \$15,785,649 in 1945. The corresponding effect upon income raised the bank's net profit from \$516,516 in 1945 to \$750,245 in 1946.

First National Bank of Arizona and its four branches reported a moderate gain for the year in deposits, other than War Loan, and an outstanding rise in loan totals. At December 31, 1946, \$9,197,725 was invested in loans, compared with \$5,090,106 a year ago. Net profit of this bank, together with Phoenix Savings Bank & Trust Company, its affiliated institution, for 1946, was \$307,206, compared with \$250,256 for 1945.

National Bank of Washington and its eight branches had \$34,223,036 invested in loans and discounts at the end of 1946, an increase of 57 per cent for the year. Increased income from loans contributed to the highest annual profits in the bank's history. Net profit for 1946 was \$669,878, or \$7.44 a share, compared with \$592,633, or \$6.58 a share for 1945.

* * * * *

The revival of trade and the definite growth of business in Italy is indicated by the expansion of loan volume of Banca d'America e d'Italia. A comparison of year-end reports of this bank shows that while deposits at December 31, 1946, were 137 per cent greater than at the end of 1945, loans, advances and bills discounted over the same period approximately trebled; complementing the 10 billion lire rise in deposits was a 5 billion lire increase in loans and advances. Gross income of the bank was benefited by the expanded loan volume, but the gain was offset to a large extent by an abnormal advance in salary costs brought about by adjustment of salaries in line with rising costs of living in Italy. After making heavy provisions for staff retirement benefits, the bank reported net profit of Lit. 27,330,114 for 1946.

In line with increases in capital funds made or contemplated by most Italian banks, Banca d'America e d'Italia has taken steps to issue additional

shares of capital stock. The enlarged capital structure will enable the bank to expand its lending limit and will also make available for profitable investment part of its funds that are at present held as deposit reserves with the government central bank.

Having in mind the inherent value of the fixed assets owned by this bank, as well as the enhancement of its goodwill value by reason of its prominence in the field of banking and the advantages of its American affiliation, your Board of Directors has reaffirmed its conclusion that no adjustment is necessary in the reserve of \$5,862,267 provided in 1942, applicable to the investment in this bank and other foreign securities.

* * * * *

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, with total resources of \$5,765,525,193 at the year-end, was the world's largest bank by a substantial margin. Total deposits advanced from \$5,339,307,098 to \$5,415,849,715 during the year. Demand deposits, exclusive of War Loan deposits of the United States Government, increased \$223,001,995 to \$3,088,543,168 during the year, and savings and time deposits increased \$228,823,029 to \$2,263,597,759. The rise in its loan volume is even more impressive; total loans at December 31, 1946, were \$1,722,743,513, registering an increase of \$704,002,057 between year-ends.

Earnings again attained an all-time high, amounting to \$58,289,892 for the year 1946 compared with \$45,591,978 for the previous year. After charges for depreciation, amortization, employes' profit-sharing bonus, valuation reserves and "Reserve for Bad Debts," there remained \$28,962,744, in comparison with \$23,880,680 for 1945.

At the end of 1945, the bank had outstanding 404,278 shares of preferred stock in addition to 8,000,000 shares of common stock. During 1946, 400,327 preferred shares were converted into 531,710 common shares and the remaining 3,951 shares were retired, increasing common capital from \$100,000,000 to \$106,646,375. Dividends on the common stock at the rate of \$2.00 a share were paid in 1946, having been increased from \$1.60 a share paid in 1945.

After payment of dividends, retirement of preferred stock, and provision for "Reserve for Bad Debts," net addition to capital funds in 1946 amounted to \$11,702,151. Capital funds at December 31, 1946, totalled \$241,296,706, exclusive of the "Reserve for Bad Debts," which at the year-end amounted to \$31,115,509.

CITIZENS NATIONAL TRUST & SAVINGS BANK OF LOS ANGELES, in which Transamerica Corporation and its subsidiaries hold a sub-

stantial minority interest, had total resources of \$362,633,434 at the year-end. Excluding the decline in War Loan and other United States deposits, all other deposits rose \$18,277,483. Loans and discounts increased from \$49,226,609 to \$55,409,904. Net income for the year was \$1,905,075, or \$7.62 a share, compared with \$1,778,311, or \$7.11 a share, for 1945. During 1946, dividends amounting to \$2.00 a share were paid.

THE NATIONAL CITY BANK OF NEW YORK and the City Bank Farmers Trust Company, in which the Transamerica group owns a 7.23 per cent interest, reported combined net current operating earnings of \$18,801,025 for 1946, compared with \$17,592,420 for 1945. These results amounted to \$3.03 a share for 1946 and \$2.84 a share for 1945. Adding net profits from sales of securities (after taxes), the total was \$22,788,344, or \$3.67 a share, compared with \$25,525,953, or \$4.12 a share, in 1945. These earnings do not include recoveries which were transferred to reserves. During 1946, dividends amounting to \$1.60 a share were paid.

Real Estate

CAPITAL COMPANY, the corporation's real estate subsidiary, sold 54 parcels of city and farm property in 1946 and at the end of the year owned 120 properties. Real estate and equipment are carried on its books for \$8,908,653 before reserves for depreciation totalling \$1,462,001. Funds from sales and other sources were invested, in part, in 37,000 additional shares of Bank of America N. T. & S. A. common stock acquired from Transamerica Corporation. The company has also financed the initial development of residential subdivisions.

Owning fewer parcels, property income for 1946 was lower in comparison with the previous year. Development and drilling costs of the company's oil division have been charged to expense; it is expected this initial outlay will be recovered in the future as new wells come into production.

Effective in 1946 a change was made in accounting for profits and losses on real estate sales by the company, and in the method of carrying its holdings in real estate. In previous years the results of transactions in real estate were reflected in reserves for revaluation, which had been provided in part from paid-in and earned surplus and in part from income.

As of January 1, 1946, the reserves for revaluation, then aggregating \$2,581,507 were utilized to provide a reserve for depreciation equal to depreciation taken for tax purposes on the properties then owned and to reduce the carrying value of certain properties to the management's appraised value; the remainder of the reserves (\$245,146) was returned to income. Profit on real estate sales by Capital Company in 1946 has been based on the carrying

value (less depreciation to the date of sale), and net profit of \$2,358,975 has been credited to income.

The oil and gas division has continued its program of exploration and development work and its oil reserves are steadily increasing. By the end of the year, the company owned or had a half interest in 35 producing wells, 18 of which were brought into production in 1946. The company also receives royalties from 127 wells worked by other oil operators. Besides its holdings in California, Capital Company holds leases on prospective oil lands in five other states.

Production from wells owned and operated by the company and those under joint operations amounted to 538,000 barrels of crude oil in 1946, compared with 452,500 barrels in 1945. Sales of natural gas in 1946 totalled 435 million cubic feet. Since the lifting of O. P. A. restrictions, better prices have been received for crude oil, although the full effect of this relief did not appear in 1946. Gross income from oil, gas and mineral operations in 1946 was \$496,689, rising from \$418,010 in 1945.

Capital Company, in addition to its other activities, has a five-sevenths interest in Western Merchandise Mart, which owns and operates a large modern building in San Francisco where leading manufacturers of furniture and household goods rent display rooms. A considerable expansion of this center, started in 1946, should be completed soon.

Capital Company reports profit of \$3,310,970 before income taxes; from net profit of \$2,308,787, dividends of \$1,500,000 were paid. Transamerica's investment in Capital Company is carried for \$14,369,637. Excluding appreciation in value of investments in securities and the enhancement in value of its real estate holdings, the book net worth of the company at December 31, 1946, was \$17,438,929.

Home Financing

ALLIED BUILDING CREDITS, INC., has taken an active part in the building program to satisfy the demand for housing. Mortgages purchased in the twelve months aggregated \$21,347,879, or more than three times the volume of \$6,992,425 of the previous year. These mortgages cover properties, mostly residential, situated in 24 different states. In the year, purchase of 48,837 installment notes amounted to \$34,781,325; this compares with 30,753 notes for \$11,317,940 in 1945. The company continues to service most of the loans sold. Net profit of Allied Building Credits, Inc., for the fiscal year ending November 30, 1946, was \$450,855.

In order to broaden its service, the company has opened offices in San Francisco, Erie, Toledo, St. Louis, Denver and Phoenix; its main administrative office has been transferred from St. Paul, Minnesota, to Los Angeles, California.

The large-scale development of the activities of the company, coupled with the policy of maintaining a reasonable ratio of capital to borrowings, prompted an increase in its capital. During its fiscal year, the capital account was increased to \$6,000,000; in December, 1946, \$4,000,000 of 4 per cent preferred stock, and 60,000 additional shares of common stock were issued. At December 31, 1946, the entire capital stock, having a par value of \$10,600,000, was owned by Transamerica Corporation.

Insurance Companies

The total carrying value of the subsidiary insurance companies at December 31, 1946, was \$9,526,399; the adjusted book net asset value applicable to these investments aggregated \$26,436,651, indicating additional value of \$16,910,252. These amounts do not include the value of over a billion dollars of insurance in force with Occidental Life Insurance Company or the equities in the unearned premium reserves of Pacific National Fire Insurance Company and Premier Insurance Company, which increased appreciably in 1946.

OCCIDENTAL LIFE INSURANCE COMPANY OF CALIFORNIA had a record year, continuing to rank as the largest life insurance company domiciled in the West.

Life insurance in force at December 31, 1946, totalled \$1,218,904,681, an increase of \$188,616,694 over the 1945 year-end. Ordinary life insurance increased \$146,337,516 while group life insurance increased \$42,279,178.

New life insurance written and paid for in 1946 amounted to \$266,658,161, exceeding by well over \$100,000,000 the highest previous production year. Ordinary life sales were \$212,472,136, while group sales were \$54,186,025.

Premiums received from ordinary accident and sickness insurance increased \$621,730 over the previous year. The increase in group accident and sickness premiums amounted to \$1,257,587. Premium income from all accident and sickness policies amounted to \$5,601,621.

There were 297,380 ordinary policies and over 550,000 group certificates in force at the end of the year. Policies providing for coverage against accidents and sickness totalled 46,083, so that more than 893,000 policies and certificates were in effect on December 31, 1946. Mortality was favorable with a rate of 41.2 per cent in 1946 as compared with 48.2 per cent in 1945.

The company's net profit for the year was \$2,315,761. Capital funds at December 31, 1946, amounted to \$12,388,907.

PACIFIC NATIONAL FIRE INSURANCE COMPANY, writing fire, automobile, inland marine and ocean marine insurance through approximately 2,500 agents in the United States, had net premium income of \$6,456,364 for the year 1946. This compares with \$5,283,208 for 1945.

Operations for the year resulted in a net loss of \$685,955. Partially offsetting the loss was an increase in the company's equity in the unearned premium reserve. This statutory reserve rose from \$6,350,882 to \$7,817,032 at December 31, 1946. The year's results were adversely affected by steadily mounting fire losses throughout the country. It is estimated that, for the nation as a whole, fire losses in 1946 exacted a toll of \$561 millions, against the 1945 total of \$455 millions; the 1946 loss was the second largest in the nation's history. Expenses of operation also were greater during the year, as a result of higher costs. During the year, Transamerica Corporation made a cash contribution of \$750,000 and also donated the capital stock of Premier Insurance Company to Pacific National, to keep pace with its rapidly expanding business.

At December 31, 1946, capital funds together with the excess of adjusted value of investments in stocks over carrying value totalled \$7,577,447, an increase of \$2,517,701 for the year.

In 1946 permission was received from the Philippine Government to write insurance in that country and agents have now been appointed in Manila. Agents have also been appointed to represent the company in the Territory of Hawaii.

In 1946 Mr. John L. Mylod, a nationally known insurance executive, became President of Pacific National, succeeding Mr. Arthur E. Connick, who is approaching retirement. Mr. Mylod was formerly assistant United States manager of the North British & Mercantile Insurance group and was senior vice president of its four American subsidiaries. His 30 years of experience includes all phases in the insurance field.

PREMIER INSURANCE COMPANY, which specializes in automobile insurance, increased its volume of writings substantially during the year. With the large-scale production of automobiles and the pronounced increase in automobile installment loans, the company's premium income for 1946 of \$2,717,917 was \$1,770,901 greater than for 1945. Due to the initial cost of acquiring this larger volume of business, and of setting up the required statutory reserve, income and gains for 1946 were approximately offset by expenses and losses. Reserve for unearned premiums increased from \$501,972 to \$1,425,191 during the twelve-month period.

In addition to California, the company also writes business in Oregon and Nevada and further expansion is contemplated. The company has recently acquired a building from Capital Company, in the heart of the financial district of San Francisco, in which its home office is now housed.

Industrials

Transamerica's investments in its manufacturing subsidiaries are carried in its balance sheet for \$4,132,707. The corporation's equity in the book values

of these companies at December 31, 1946, was \$7,423,093, indicating appreciation of \$3,290,386.

In the two foundry subsidiaries, conversion to full peacetime production was hindered by both nation-wide and local strikes, while all four companies were hampered by shortages of material, partly due to suppliers' reluctance to sell at O. P. A. prices. Many of these difficulties have been overcome and increased production in 1947 is expected.

Total sales were substantially lower—\$16,797,306 for 1946, compared with \$35,171,578 for 1945. Net profits of \$349,604 for 1946 compare with \$795,761 for 1945.

GENERAL METALS CORPORATION, the foremost producer of ferrous and non-ferrous castings and forgings on the Pacific Coast, expanded its activities during 1946 by manufacturing aluminum castings and forgings. Notwithstanding handicaps that affected the heavy metal industry during 1946, the company's sales of \$5,644,440 constituted its highest peacetime volume.

The lifting of price controls was not finally effected until November, 1946, and in consequence had only a minor effect on the year's results. Both operating and net profit for 1946 were better than in the previous year; net profit of \$401,900 for 1946 compares with \$249,785 for 1945.

The company had a substantial backlog of orders at the close of the year.

ENTERPRISE ENGINE & FOUNDRY COMPANY in 1946 experienced labor disturbances, material shortages and other problems common to industry during the reconversion period. Strike conditions halted operations during the first three months of the year. Total sales were \$7,208,655. This is 52 per cent of the previous year's sales, which included war production, but \$2,000,000 more than the volume of the last pre-war year, 1941.

The company's products are well diversified, the principal item being heavy-duty Diesel engines. The large increase in foreign sales, alone, in 1946 is indicative of the growing and wide demand for this product. Shipments of industrial oil burners increased sharply in 1946; sale of food processing machinery, another Enterprise product, was greatly expanded over pre-war volume. Net profit for 1946 was \$507,962, in comparison with \$536,342 for the previous twelve months.

Orders on the books at December 31, 1946, call for a high rate of activity for 1947.

ADEL PRECISION PRODUCTS CORP. and AERCO CORPORATION had devoted their entire efforts to war production until V-J Day and hence have been faced with difficult reconversion problems continuing through 1946, which was an unprofitable year for these companies.

Adel in 1946 continued the development and manufacture of hydraulic controls and line supports for commercial and military aircraft; power control equipment was also introduced for application in marine and industrial fields. It also manufactured landing gear for private planes and has attained a leading position in this field. The company has developed since the war and is now manufacturing a number of other products including self-aligning bearings, kitchen tools, barbecue tools, as well as color slide viewers and color cameras for clinical and surgical uses. A substantial amount of special contract work for other manufacturers is also carried on.

Sales volume of \$3,134,287 for 1946 declined from \$12,336,759 for 1945, due largely to the drastic curtailment in airplane production.

Aerco's production embraces agricultural implements including two-wheel tractors, feed mixers and molasses applicators for dairy farming. Development is nearly completed on a small four-wheel tractor and on implements to be used with it. The company also has a complete line of fishing reels and rod and reel cases, and it continues the manufacture of certain war material, including bomb ejectors. Net sales for 1946 totalled \$809,923.

In order to simplify operations and to effect economies, the administrative departments of Adel and Aerco were combined on October 31, 1946. At the end of 1946, the stock of Aerco held by Transamerica was acquired by Adel in exchange for 55,091 shares of its capital stock. Aerco has retained its corporate existence, but is now directly owned by Adel. The facilities of the two companies complement each other and as a result the over-all manufacturing operation has been improved. Substantial reductions in administrative personnel have been made and other benefits will be derived from the consolidation of operations.

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The status of the proceedings initiated by the Securities and Exchange Commission on November 25, 1938, did not change during the year. Oral argument by counsel for both sides was presented to the Commission during December, 1945, and the case submitted to the Commission. Ultimately your corporation will have the right to carry the matter into the courts for final determination.

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During the year, the corporation was fortunate in obtaining the services of Mr. Sam H. Husbands, who has been elected Executive Vice President and a Director of Transamerica Corporation. Mr. Husbands was formerly a Director of Reconstruction Finance Corporation, which he joined in 1932 after twenty years of banking experience. He was also a Director of War

TRANSAMERICA CORPORATION

BALANCE SHEET

December 31, 1946

A S S E T S

INVESTMENTS IN SECURITIES:

In capital stocks of domestic subsidiaries—A-D:

	Per cent control	
The First National Bank of Portland	54.57	\$ 3,609,695.16
Central Bank, Oakland	92.15	3,601,886.00
The First National Bank of Eugene	98.00	2,254,387.00
First Trust and Savings Bank of Pasadena	97.82	2,214,770.18
National Bank of Washington	52.25	1,481,608.41
First National Bank in Santa Ana	98.50	1,472,652.16
First National Trust and Savings Bank of Santa Barbara	95.85	1,078,597.64
First National Bank of Nevada	99.23	794,416.68
First National Bank of Arizona	42.80	706,966.95
Thirty-one other banks—see page 21	Various	5,808,113.20
Capital Company	100.00	14,369,637.36
Allied Building Credits, Inc.	100.00	10,675,000.00
Pacific National Fire Insurance Company	100.00	6,518,798.72
Occidental Life Insurance Company of California	100.00	3,007,600.28
Columbia River Packers Association, Inc.	52.83	1,852,582.23
General Metals Corporation	89.78	2,095,022.70
Adel Precision Products Corp.	99.43	1,658,420.23
Enterprise Engine & Foundry Company	100.00	379,264.14
Eight other companies—see page 21	Various	641,952.41

(Adjusted book net asset value at December 31, 1946—banks \$42,404,649.95; other companies \$67,327,365.12; total \$109,732,015.07)—B

Banca d'America e d'Itaha (92.40% controlled)	\$ 8,982,321.85	
Foreign securities—net of specific reserve	622,882.95	
	\$ 9,605,204.80	
Less: Reserve	5,862,267.99	3,742,936.81

Other security investments—see page 20—D:

Bank of America N. T. & S. A.—1,646,075 shares	\$42,057,134.22	
The National City Bank of New York—416,203 shares	15,834,757.58	
Miscellaneous	3,241,809.32	

(Aggregate market value at quoted prices
December 31, 1946—\$100,522,884.06)

		61,133,701.12
		\$129,098,009.38
Cash on hand and on deposit		11,908,305.31
Notes and other receivables (less reserves \$511,587.34)—C		1,028,980.92
Officers' and employees' notes receivable (less reserves \$61,914.04)—C		164,021.54
Owing from subsidiaries		9,931,425.08
Other assets		4,005.00
Goodwill, going concern and control value		1.00
		\$152,134,748.23

A—The amount for investments in capital stocks of subsidiaries is net asset values as of December 31, 1931, for securities then owned and still held, with subsequent additions at cost or less, as carried on the books of this Corporation or subsidiaries since liquidated, less certain liquidating dividends received and certain write-downs. See page 20 for schedule of additional holdings by subsidiaries.

B—Adjusted book net asset value is computed on the proportionate net book values of the respective companies, adjusted, except as to banks, by excess of value based on quoted market prices over original cost of marketable securities in the amount of \$8,083,668.97. Of this excess, \$3,466,286.11 represents profit on inter-company sales of securities, carried as deferred profits in the Corporation's balance sheet.

C—Notes and accounts receivable are in part secured by collateral which includes 51,552½ shares of capital stock of Transamerica Corporation.

Continued on next page

TRANSAMERICA CORPORATION

BALANCE SHEET

December 31, 1946

LIABILITIES

Notes payable:

To banks—Secured—D \$ 44,000,000.00

Accounts payable:

Federal taxes on consolidated income	\$ 2,218,996.62	
Taxes, other than federal taxes on income	161,399.74	
Miscellaneous	<u>421,548.47</u>	2,801,944.83

Owing to subsidiary 1,100,000.00

Reserves for contingencies 939,697.00

Securities profits on sales to subsidiaries deferred 3,471,686.11

Capital stock and surplus:

Capital stock (\$2.00 par value):

Authorized	25,000,000 shares				
Issued	11,200,000 "				
Less: In treasury	<u>1,264,350</u> "				
Outstanding	<u>9,935,650</u> "		\$19,871,300.00		

Surplus:

Paid-in surplus (no change during year)—E	\$61,709,004.60	
Earned surplus (since January 1, 1932)—F	<u>18,241,115.69</u>	<u>79,950,120.29</u>
		<u>\$152,134,748.23</u>

Continued from preceding page

D—Notes payable to banks were secured at December 31, 1946 by pledge of capital stocks of subsidiaries having an average carrying value of \$5,309,123.63, and other security investments having a market value at quoted prices of \$61,284,768.50.

E—At December 31, 1946, surplus was restricted in the amount of \$2,528,700.00 represented by 1,264,350 shares of capital stock held in treasury.

F—In January 1947, the Corporation declared and paid cash dividends aggregating \$3,974,260.00, or \$0.40 a share.

G—At December 31, 1946, Transamerica Corporation was contingently liable (1) in the amount of \$137,633.54, as guarantor of certain mortgage loans, (2) as defendant in pending litigation brought by certain former stockholders of The Axton-Fisher Tobacco Co., as to which counsel for the Corporation has expressed belief that its defense will be successful. The Corporation had outstanding commitments (1) to take up, if requested, certain evidences of indebtedness in the amount of \$7,504,066.92, adequately secured, (2) to participate to the extent of approximately \$1,000,000 in a bid to acquire certain shares of stock.

TRANSAMERICA CORPORATION

INCOME ACCOUNT

Year ended December 31, 1946

Income:

Dividends:

From subsidiaries	\$3,894,004.72	
From other investments	4,270,328.40	\$8,164,333.12
Interest		246,429.99
Security transactions—net profit based on book values—B		485,144.71
Net profit on liquidation of subsidiaries (The Axton-Fisher Tobacco Co., \$180,814.50)		213,614.43
Income from guaranty contract		240,196.46
Miscellaneous		214,414.79
		<u>\$9,564,133.50</u>

Expense—Corporate:

Interest	\$458,515.43	
Transfer and registrar fees, revenue stamps, etc.	104,385.09	
Taxes, other than federal taxes on income	157,369.19	\$ 720,269.71

Administrative expense:

Salaries	\$142,171.54	
Other office and general expense	290,190.98	432,362.52
Addition to reserve for notes receivable	100,000.00	1,252,632.23
		<u>\$8,311,501.27</u>

Federal taxes on income—C:

Provision for 1946 federal taxes on income on a consolidated return basis	\$1,160,000.00	
Deduct: Net amount charged to subsidiaries in lieu of federal taxes calculated on a separate return basis	901,701.22	
Balance of tax provided by Transamerica Corporation	\$ 258,298.78	
Recoveries, less net adjustments, of prior years' taxes	82,411.20	175,887.58

NET PROFIT OF TRANSAMERICA CORPORATION CARRIED TO EARNED SURPLUS—A \$8,135,613.69

A—The Corporation's proportion of net profit or loss of domestic subsidiaries, in excess of dividends received from such subsidiaries taken up in the income account, is included in the statement set forth below:

NET PROFIT OF TRANSAMERICA CORPORATION AND ALL DOMESTIC SUBSIDIARIES

Net profit of Transamerica Corporation as shown above	\$8,135,613.69
Transamerica Corporation's proportion of net profit of domestic subsidiaries in excess of dividends received from such subsidiaries taken up in the Income Account—D	7,438,942.79

NET PROFIT FOR THE YEAR 1946 OF TRANSAMERICA CORPORATION AND ALL DOMESTIC SUBSIDIARIES \$15,574,556.48

Continued on next page

TRANSAMERICA CORPORATION

EARNED SURPLUS ACCOUNT

Year ended December 31, 1946

Balance of Earned Surplus at January 1, 1946		\$18,054,022.00
Add:		
Net profit for the year ended December 31, 1946, as shown by Income Account		<u>8,135,613.69</u>
		\$26,189,635.69
Deduct:		
Dividend No. 35 of \$0.25 a share and special dividend of \$0.15 a share paid January 31, 1946	\$3,974,260.00	
Dividend No. 36 of \$0.25 a share and special dividend of \$0.15 a share paid July 31, 1946	<u>3,974,260.00</u>	<u>7,948,520.00</u>
BALANCE OF EARNED SURPLUS AT DECEMBER 31, 1946, AS SHOWN ON BALANCE SHEET		<u><u>\$18,241,115.69</u></u>

Continued from preceding page

B—Net profit on securities was determined on the basis of cost or written-down values of additions subsequent to December 31, 1931, the date of general restatement of carrying values, and is after deducting net loss of \$107,743.44 on transactions in securities of subsidiaries.

C—The Corporation intends to collect from or refund to subsidiaries eligible for consolidation for federal income tax purposes the amount of federal taxes on income applicable to such subsidiaries had they filed on a separate return basis and the Corporation intends to pay the tax liability determined to be due on a consolidated basis. Had Transamerica Corporation filed a separate return without inclusion of its subsidiaries, its tax provision would have been \$412,000.00 there being no tax on capital gains due to carry-forward of prior losses.

D—Includes Transamerica Corporation's proportion of the net profit of domestic subsidiaries as follows: banks \$4,534,176.12, other companies \$2,904,766.67. The Corporation's proportion of the net profit of Banca d'America e d'Italia is not included owing to controls imposed in Italy preventing the free exchange of lire into other currencies. No amount is included for the Corporation's equity in the undistributed earnings of companies less than 50% owned including Bank of America N. T. & S. A. and The National City Bank of New York.

TRANSAMERICA CORPORATION

OTHER SECURITY INVESTMENTS

December 31, 1946

	Number of Shares	Quoted Price Per Share
Bank of America N. T. & S. A.	1,646,075	\$ 47
Citizens National Trust & Savings Bank of Los Angeles	41,798	47¼
Fireman's Fund Insurance Company	13,975	98
The First National Bank of the City of New York	628	1,625
The National City Bank of New York	416,203	45
Peoples Bank, Lakewood Village, California	540	32½*
Foreign securities (market value at quoted prices— \$13,531.50)		
Miscellaneous domestic stocks at nominal carrying value of \$1.00 each (market value at quoted prices— \$15,562.50)		
Domestic bonds at nominal carrying value of \$1.00 each (market value at quoted prices—\$16,592.13)		
TOTAL QUOTED MARKET VALUE		\$100,522,884.06
TOTAL CARRYING VALUE		\$ 61,133,701.12

*Carrying value used, market quotation not available.

NOTE—The above listed securities are carried (1) at their quoted market value as at December 31, 1931, for securities then owned and still held except that shares of Bank of America N. T. & S. A. are carried at their book net asset value as at December 31, 1931, (2) at cost or less if subsequently acquired. In arriving at total quoted market value of securities, quotations were used without regard to the number of shares owned of each security.

Shares of capital stock of the foregoing banks and corporations, held by subsidiaries at December 31, 1946 were as follows:

Bank of America N. T. & S. A.	257,962
Citizens National Trust & Savings Bank of Los Angeles	15,000
Fireman's Fund Insurance Company	9,650
The First National Bank of the City of New York	255
The National City Bank of New York	32,000

* * * *

ADDITIONAL INVESTMENTS IN CAPITAL STOCKS OF SUBSIDIARIES

December 31, 1946

	Transamerica Corporation	Additional holdings by subsidiaries	Total
First National Bank of Portland, The	54.57%	14.05%	68.62%
Central Bank, Oakland	92.15	7.50	99.65
National Bank of Washington	52.25	10.05	62.30
First National Bank of Arizona	42.80	36.19	78.99
Phoenix Savings Bank & Trust Company, The	42.80	36.19	78.99
Columbia River Packers Association, Inc.	52.83	22.29	75.12

TRANSAMERICA CORPORATION

OTHER BANKS

December 31, 1946

	Per cent control	Carrying value
ARIZONA		
Phoenix Savings Bank & Trust Company, The	42.80	\$ 188,809.00
CALIFORNIA		
Bank of Newman	85.43	165,022.00
Bank of Pinole	73.64*	164,834.76
Bank of Tehachapi	94.00	76,329.29
Central Bank of Calaveras	92.50	164,868.00
Farmers and Merchants Bank of Watts	97.50	240,524.84
First National Bank in Corcoran	90.00	178,025.00
First National Bank in Turlock	91.20	498,400.00
First National Bank of Bellflower, The	95.00	309,030.30
First National Bank of Crows Landing, The	89.60	136,640.00
First National Bank of Fairfield, The	89.60	109,994.03
First National Bank of Garden Grove, The	90.00	107,331.00
First National Bank of Los Altos, The	87.20	78,364.16
First National Bank of Mountain View, The	78.28	141,240.00
First National Bank of Oakdale, The	94.00	810,749.98
First National Bank of San Jacinto, The	63.80	55,449.00
First National Bank of Weed, The	90.00	115,191.82
First Savings Bank of San Jacinto	63.80	36,966.00
Stanislaus County Savings Bank	94.17	565,000.03
Temple City National Bank of Temple City, The	86.67	142,975.70
NEVADA		
Bank of Nevada	70.00	184,000.00
Farmers' Bank of Carson Valley, Inc.	88.00	148,095.96
OREGON		
Bank of Sweet Home	95.00	43,450.93
Benton County State Bank	96.00	576,000.00
Clatsop County Bank	97.00	71,523.66
Coolidge and McClaine	96.25	76,047.33
First National Bank of Cottage Grove, The	90.00	127,687.47
First National Bank of Forest Grove, The	90.00	80,929.32
First National Bank of Prineville, The	90.00	112,500.00
Moreland-Sellwood Bank	97.00	74,808.46
Scio State Bank	95.00	27,325.16
		<u>\$5,808,113.20</u>

* Per cent of common stock only.

* * * *

OTHER COMPANIES

December 31, 1946

	Per cent control	Carrying value
American Brokerage, Inc. (inactive)	100.00	\$ 29,285.83
Axton-Fisher Tobacco Company, The (in liquidation)	84.84	1.00
Coast Service Company	100.00	2,438.75
Corporation of America	99.91	102,294.66
Inter-America Corporation (California)	100.00	57,932.17
Occidental Corporation	100.00	250,000.00
Olympic Frozen Foods, Inc.	100.00	100,000.00
Timeplan Incorporated (inactive)	100.00	100,000.00
		<u>\$ 641,952.41</u>

**THE FIRST NATIONAL BANK OF PORTLAND
CENTRAL BANK, OAKLAND
FIRST NATIONAL BANK OF NEVADA
NATIONAL BANK OF WASHINGTON
FIRST NATIONAL BANK OF ARIZONA**

CONDENSED STATEMENTS OF CONDITION

December 31, 1946

Based on figures submitted by the banks to their respective regulatory authorities.

ASSETS	The First National Bank of Portland	Central Bank, Oakland	First National Bank of Nevada	National Bank of Washington	First National Bank of Arizona
Loans and discounts, including overdrafts	\$108,654,409.49	\$ 49,773,455.34	\$ 24,710,568.66	\$ 34,223,036.69	\$ 9,197,725.49
United States Government securities owned	250,561,412.75	27,862,870.79	68,675,547.06	37,897,997.58	38,361,100.39
Other bonds, stocks, and securities owned	54,264,218.25	19,279,637.96	6,867,740.54	8,698,926.98	3,042,725.45
Bank premises, furniture and fixtures	3,573,695.00	2,060,253.86	701,496.64	688,577.15	641,696.67
Real estate owned other than bank premises	1.00	1.00 . . . . .	. . . . .	4.00 . . . . .	. . . . .
Cash, cash items, balances with other banks, including reserve balance	118,805,382.07	25,978,125.71	21,321,425.57	20,147,906.25	18,971,888.72
Other assets	2,221,379.03	431,065.63	615,704.00	922,213.38	232,814.42
	<u>\$538,080,497.86</u>	<u>\$125,385,410.29</u>	<u>\$122,892,482.47</u>	<u>\$102,578,662.03</u>	<u>\$70,447,951.14</u>
LIABILITIES					
Capital stock—common	\$ 4,500,000.00	\$ 2,000,000.00	\$ 1,500,000.00	\$ 1,125,000.00	\$ 550,000.00
Surplus	10,500,000.00	4,000,000.00	1,600,000.00	1,875,000.00	550,000.00
Undivided profits	7,008,170.09	1,694,558.01	1,633,710.67	1,107,376.29	569,000.00
Reserves for contingencies	2,927,694.99	14,953.75 . . . . .	. . . . .	300,000.00	77,262.53
Deposits	511,400,230.09	116,430,865.23	116,471,780.93	97,689,800.84	68,487,942.66
Other liabilities	1,744,402.69	1,245,033.30	1,686,990.87	481,484.90	213,745.95
	<u>\$538,080,497.86</u>	<u>\$125,385,410.29</u>	<u>\$122,892,482.47</u>	<u>\$102,578,662.03</u>	<u>\$70,447,951.14</u>

THE FIRST NATIONAL BANK OF EUGENE
 FIRST TRUST AND SAVINGS BANK OF PASADENA
 FIRST NATIONAL BANK IN SANTA ANA
 FIRST NATIONAL TRUST AND SAVINGS BANK
 OF SANTA BARBARA

CONDENSED STATEMENTS OF CONDITION
 December 31, 1946

Based on figures submitted by the banks to their respective regulatory authorities.

THE FIRST NATIONAL BANK OF EUGENE
 FIRST TRUST AND SAVINGS BANK OF PASADENA
 FIRST NATIONAL BANK IN SANTA ANA
 FIRST NATIONAL TRUST AND SAVINGS BANK
 OF SANTA BARBARA

CONDENSED STATEMENTS OF CONDITION
 December 31, 1946

Based on figures submitted by the banks to their respective regulatory authorities.

ASSETS	The First National Bank of Eugene	First Trust and Savings Bank of Pasadena	First National Bank in Santa Ana	First National Trust and Savings Bank of Santa Barbara
Loans and discounts, including overdrafts	\$ 6,230,081.82	\$ 7,667,719.14	\$ 3,389,202.69	\$ 1,616,317.82
United States Government securities owned	31,258,375.09	29,298,844.57	24,138,704.14	9,640,002.53
Other bonds, stocks, and securities owned	1,538,680.54	2,794,317.10	1,310,791.43	971,595.10
Bank premises, furniture and fixtures	138,139.08	870,170.58	499,943.93	215,554.94
Cash, cash items, balances with other banks, including reserve balance	10,065,180.74	7,627,634.35	5,344,113.73	2,380,248.34
Other assets	151,908.30	171,999.32	128,672.76	57,438.52
	<u>\$49,382,365.57</u>	<u>\$48,430,685.06</u>	<u>\$34,811,428.68</u>	<u>\$14,881,157.25</u>

LIABILITIES	The First National Bank of Eugene	First Trust and Savings Bank of Pasadena	First National Bank in Santa Ana	First National Trust and Savings Bank of Santa Barbara
Capital stock—common	\$ 500,000.00	\$ 1,000,000.00	\$ 600,000.00	\$ 300,000.00
Surplus	500,000.00	1,000,000.00	600,000.00	450,000.00
Undivided profits	607,542.44	832,308.53	557,939.70	251,748.94
Reserves for contingencies . . . . .	. . . . .	119,245.80 . . . . .	. . . . .	5,041.04
Deposits	47,590,004.51	44,765,802.14	32,893,088.08	13,816,017.09
Other liabilities	184,818.62	713,328.59	160,400.90	58,350.18
	<u>\$49,382,365.57</u>	<u>\$48,430,685.06</u>	<u>\$34,811,428.68</u>	<u>\$14,881,157.25</u>

CAPITAL COMPANY

BALANCE SHEET

December 31, 1946

ASSETS

Cash on hand and on deposit	\$ 483,477.44	
Security investments—capital stocks—at cost:		
Bank of America N. T. & S. A.—157,000 shares (market value: at quoted price December 31, 1946 \$7,379,000.00)	\$ 5,915,750.00	
Western Merchandise Mart, a subsidiary—8,750 shares (71.43%) (book net asset value \$911,725.27)	801,378.40	
Affiliated company (book net asset value \$172,154.29)	153,850.00	6,870,978.40
Notes receivable:		
Installment real estate notes—secured by first deeds of trust	\$ 3,092,262.45	
Collateral notes of officers of subsidiary	72,389.83	
Miscellaneous (less reserve \$12,362.91)	171,715.59	3,336,367.87
Accounts receivable (less reserve \$2,663.43)		559,757.38
Inventories of unsold crops—at market prices		37,857.95
Owing from affiliates		1,875,510.30
Real estate and equipment—A-B:		
Land	\$ 4,986,696.96	
Buildings and improvements	\$2,702,085.51	
Less: Reserves for depreciation	1,170,076.86	1,532,008.65
Equipment	\$1,219,870.83	
Less: Reserves for depreciation	291,924.73	927,946.10
Other assets (less reserve \$57,327.50)		196,036.06
Prepaid taxes, insurance, supplies, etc.		102,047.03
		<u>\$20,908,684.14</u>

LIABILITIES

Accounts payable	\$ 335,395.25	
Accrued liabilities, including \$1,003,000.00 owing to Transamerica Corporation in lieu of federal taxes on income		1,241,863.59
Deposits on leases and uncompleted real estate sales		210,150.84
Mortgages on real estate—B		1,232,737.48
Owing to affiliates		96,711.02
Reserves for self insurance		158,887.83
Deferred income—profit on sale of real estate to affiliates		194,008.70
Capital stock and surplus:		
Capital stock (\$10.00 par value):		
Authorized 200,000 shares; outstanding 85,731 shares	\$ 857,310.00	
Surplus:		
Paid-in surplus (no change during year)	\$13,444,446.80	
Earned surplus	3,137,172.63	16,581,619.43
		<u>17,438,929.43</u>
		<u>\$20,908,684.14</u>

A—Real estate consists in part of properties acquired in normal real estate transactions, and in part of properties acquired from affiliates under contract or by donation. The amounts for land, buildings and equipment include an aggregate of \$1,219,883.50, based upon independent appraisal, for processing plants conveyed to the company, subject to mortgages and other prior liens (included among liabilities), in satisfaction of loans made to the former owner thereof. Changes in accounting policies in respect of property reserves are described in Note A to the profit and loss statement.

B—Mortgages on real estate (of which \$394,959.34 was past due) are secured by first liens on the subject properties having an aggregate carrying value of \$3,002,644.39.

C—At December 31, 1946, the company had commitments for additional loans in the approximate amount of \$600,000.00, which loans are to be secured by real estate and improvements thereon.

CAPITAL COMPANY

PROFIT AND LOSS STATEMENT

Year ended December 31, 1946

Income:

City division:

Rentals	\$932,859.40	
Deduct: Property operating expenses	439,805.15	\$ 493,054.25

Country division:

Crop sales, rentals, etc.	\$715,331.60	
Deduct: Property operating expenses	200,455.94	514,875.66

Oil, gas and mineral operations:

Rentals, royalties, sales of oil, etc.	\$496,689.17	
Deduct: Operating expenses	238,575.37	258,113.80

Property operating and supervision fees	352,303.82	\$1,618,347.53
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General and administrative expense:

Salaries	\$ 382,734.28	
Other office and general expenses	242,861.55	625,595.83

\$ 992,751.70

Other income:

Net profit on real estate sales—A	\$2,358,975.68	
Dividends	304,106.06	
Interest	190,727.66	
Unrequired portion of real estate reserve—A	245,146.23	
Miscellaneous	65,064.93	3,164,020.56

\$4,156,772.26

Other deductions:

Loan losses (based on appraised value of property acquired in settlement)	\$ 463,574.26	
Oil well development and intangible drilling costs	323,782.20	
Interest	58,445.12	845,801.58

\$3,310,970.68

Amount payable to Transamerica Corporation in lieu of federal taxes on income for the year 1946, less adjustment (\$817.02) for preceding year—B

1,002,182.98

NET PROFIT		\$2,308,787.70
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Provision for 1946 depreciation of real estate and equipment charged to expenses amounted to \$193,418.18.

A—In prior years, profits and losses from real estate sales were reflected in reserves for revaluation which had been provided in part from income and in part from surplus. As of January 1, 1946, reserves in the amount of \$2,021,508.28 were allocated to reserves for depreciation (equal to depreciation taken for tax purposes on properties then owned), and \$314,853.14 was applied to write down specific properties. The remainder, \$245,146.23, was credited to income. In 1946, net profit on real estate sales (arising mainly from sale of properties on which no write down had been taken) is included in income.

B—Charge in lieu of income tax has been computed as though a separate return would be filed; however, taxable income will be consolidated with that of Transamerica Corporation and certain subsidiaries and this charge does not purport to represent a proportionate share of consolidated tax.

* * * *

EARNED SURPLUS ACCOUNT

Balance at January 1, 1946		\$2,328,384.93
Add: Net profit for the year ended December 31, 1946		2,308,787.70

\$4,637,172.63

Deduct: Cash dividends paid		1,500,000.00
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BALANCE AT DECEMBER 31, 1946		\$3,137,172.63
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ALLIED BUILDING CREDITS, INC.

(Incorporated in Delaware)

BALANCE SHEET

November 30, 1946

ASSETS

Cash on hand and on deposit		\$ 3,726,343.66
Accounts receivable:		
Under note sale agreements—A	\$ 3,679,150.40	
Miscellaneous	535,324.08	4,214,474.48
Mortgages and advances (\$2,639,119 pledged against notes payable):		
Mortgages owned, including loan balances of \$1,162,804 having one or more installments delinquent	\$17,577,170.33	
Advances made on construction projects—secured	16,125,430.84	33,702,601.17
Installment notes receivable:		
Insured under National Housing Act	\$15,468,557.64	
Less: Notes sold to banks—A	14,626,640.31	\$ 841,917.33
Uninsured notes	\$17,977,851.08	
Less: Notes sold to banks—A	15,503,978.54	2,473,872.54
Advances on dealers' notes incident to purchase of uninsured notes	369,218.65	3,685,008.52
TOTAL CURRENT AND WORKING ASSETS		<u>\$45,328,427.83</u>
Other assets:		
Advances on housing projects, secured by real estate	\$ 2,200,535.25	
Special notes receivable (less reserve \$60,000)	718,609.85	
Real estate, real estate contracts, etc. (less reserve \$3,730.35)	263,314.98	
Claims and F.H.A. debentures owned	61,426.51	3,243,886.59
Cash on deposit for trust funds (contra)		944,262.81
Furniture, equipment and automobiles—at cost, less reserves		196,361.02
Traveling advances and prepaid expenses		95,554.18
		<u>\$49,808,492.43</u>

LIABILITIES

Current liabilities:		
Notes payable:		
Unsecured, including \$7,700,000 payable to Transamerica Corporation	\$33,300,000.00	
Secured by mortgages and advances	2,474,563.80	\$35,774,563.80
Accounts payable		651,736.11
Accrued liabilities		280,227.53
Provision for federal taxes on income—estimated		265,000.00
TOTAL CURRENT LIABILITIES		<u>\$36,971,527.44</u>
Trust funds (contra)		944,262.81
Deferred income—unearned discounts:		
On insured notes receivable	\$ 1,102,787.85	
On uninsured notes receivable	3,170,584.85	4,273,372.70
Reserve for losses on uninsured notes, including \$438,486.37 appropriated from unearned discounts		746,437.20
Capital stock and surplus—B:		
Common stock (\$10.00 par value):		
Authorized and outstanding—600,000 shares	\$ 6,000,000.00	
Earned surplus:		
Balance at December 1, 1945	\$ 422,036.36	
Add: Net profit for the year ended November 30, 1946	450,855.92	872,892.28
		<u>6,872,892.28</u>
		<u>\$49,808,492.43</u>

A—The company has agreements to sell to two banks, without recourse, certain installment notes receivable and to act as the banks' agent for collection of such notes. Under the terms of these agreements, the company has received

Continued on next page

ALLIED BUILDING CREDITS, INC.

(Incorporated in Delaware)

STATEMENT OF INCOME AND EXPENSE

Year Ended November 30, 1946

Income:		
Earned discounts on installment notes receivable		\$2,341,750.78
Interest income:		
Mortgages		351,101.32
Advances during construction		343,093.26
Mortgage participation income		146,688.11
Mortgage premium earnings		70,679.64
Service charges		33,546.24
Insurance commissions		51,332.65
Penalties and extension charges		36,756.24
Miscellaneous income (net)		<u>76,198.48</u>
		\$3,451,146.72
Expenses:		
General and district office expenses	\$1,980,087.99	
Provision for losses on collections	<u>208,313.29</u>	2,188,401.28
		\$1,262,745.44
Interest expense		<u>546,889.52</u>
Income before provision for Federal income taxes		\$ 715,855.92
Provision for Federal taxes on income—estimated		<u>265,000.00</u>
NET INCOME		<u>\$ 450,855.92</u>

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Continued from preceding page

from the banks a portion of the principal amounts of these notes sold, and has paid carrying charges to the banks on these receipts. In the absence of default under the terms of these or certain other agreements with such banks, or proceedings in bankruptcy or reorganization, the company is entitled to receive from the banks, as the notes are collected, the remaining portions of the principal amounts of the notes. Of the principal amounts owing, as of November 30, 1946, on notes sold, an aggregate of \$26,451,468.45 had been received from the banks and a balance of \$3,679,150.40 remained to be received.

B—In December 1946, authorized capital stock was increased to 1,000,000 shares of common stock of \$10.00 par value each and 160,000 shares of 4% cumulative preferred stock of \$25.00 par value each. Of this additional authorized capital, 60,000 shares of the common stock and 160,000 shares of the preferred stock were sold at par in December 1946.

C—At November 30, 1946, the company had outstanding commitments (1) to purchase mortgages of \$56,500,000, (2) to sell mortgages of \$130,824, and (3) to purchase installment notes receivable of \$8,218,988.

AUDITORS' CERTIFICATE

To the Board of Directors, Allied Building Credits, Inc.:

We have examined the balance sheet of ALLIED BUILDING CREDITS, INC. (a Delaware corporation) as of November 30, 1946, and the statement of income and expense for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Effective for the year ended November 30, 1946 the company adopted the practice, which we believe proper, of recording as income at the time of note purchases a portion of note discount approximately equivalent to expenses of acquisition.

In our opinion, the accompanying balance sheet and related statement of income and expense present fairly the position of Allied Building Credits, Inc. at November 30, 1946, and the results of its operations for the year ended that date and are in conformity with generally accepted accounting principles which, except for the matter referred to in the preceding paragraph, have been applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Minneapolis, Minnesota
February 19, 1947

**COLUMBIA RIVER PACKERS ASSOCIATION, INC.
AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEET
December 31, 1946**

ASSETS

Current assets:

Cash on hand and on deposit		\$1,712,717.79
Accounts receivable—trade	\$1,797,740.35	
Less: Drafts discounted with affiliated bank—A	1,708,609.72	89,130.63
Accounts receivable—other		25,235.21
Inventories—at the lower of cost or market (first-in, first-out basis):		
Canned and frozen fish	\$ 102,781.40	
Material and supplies	808,536.36	
Shipyard jobs in process	48,741.43	960,059.19
TOTAL CURRENT ASSETS		<u>\$2,787,142.82</u>

Other assets:

Long-term note receivable from Pacific Exploration Company—B	\$ 175,000.00	
Accounts receivable—fishermen	455,828.46	\$ 630,828.46
Less: Reserve for doubtful accounts	210,789.55	420,038.91

**Property, plant and equipment—at December 31, 1924
appraised values plus subsequent additions at cost:**

Land	\$ 682,085.09	
Buildings and equipment	\$4,110,654.60	
Less: Reserve for depreciation	2,430,870.20	1,679,784.40

Deferred charges—prepaid insurance premiums		108,098.29
		<u>\$5,677,149.51</u>

LIABILITIES

Current liabilities:

Long-term note payment due January 31, 1947	\$ 80,000.00	
Accounts payable—trade		226,396.55
Accounts payable—fishermen		180,830.67
Accrued payrolls, taxes, interest, etc.		161,273.08
Dividends payable		201,191.00
Federal income and Oregon excise taxes—estimated		847,006.56
TOTAL CURRENT LIABILITIES		<u>\$1,696,697.86</u>

Long-term note payable to an affiliated bank—(unsecured, payable

\$80,000.00 per annum)	\$ 320,000.00	
Less: Payment due January 31, 1947	80,000.00	240,000.00

Capital stock and surplus:

Common stock (no par value):		
Authorized 80,000 shares; outstanding 66,855 shares	\$2,361,592.73	
Earned surplus	1,378,858.92	3,740,451.65
		<u>\$5,677,149.51</u>

A—The company is contingently liable for drafts discounted in the amount of \$1,708,609.72.

B—Pacific Exploration Company is wholly-owned by Mr. Nick Bez, Chairman of the Board of Columbia River Packers Association, Inc.

**COLUMBIA RIVER PACKERS ASSOCIATION, INC.
AND SUBSIDIARY**

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended December 31, 1946

Net sales		\$9,064,159.11
Cost of products sold		<u>7,160,090.94</u>
		\$1,904,068.17
Selling and administrative expenses		<u>789,755.48</u>
		\$1,114,312.69
OPERATING PROFIT		
Other income:		
Charter hire on steamer (including claim settlement)	\$255,343.03	
Profit on sale of steamer and other property	240,033.79	
Miscellaneous	<u>4,814.43</u>	500,191.25
		<u>\$1,614,503.94</u>
Other deductions:		
Loss on shipyard operations	\$ 79,237.47	
Interest paid	<u>58,905.82</u>	138,143.29
		<u>\$1,476,360.65</u>
PROFIT BEFORE FEDERAL AND STATE TAXES ON INCOME		
Taxes on income—estimated:		
Federal income tax (\$519,000.00), Oregon excise tax (\$72,000.00), less adjustment of prior year's tax provision (\$27,745.40)		563,254.60
		<u>\$ 913,106.05</u>
NET PROFIT		
Provision for 1946 depreciation of property, plant and equipment charged to costs and expenses amounted to \$189,351.75.		

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CONSOLIDATED CAPITAL SURPLUS ACCOUNT

Balance at January 1, 1946		\$ 708,506.96
Deduct:		
Appreciation on steamer sold during year	\$515,957.42	
Transfer to earned surplus of emergency facilities previously restated on books	<u>192,549.54</u>	708,506.96
		<u>\$ — 0 —</u>
BALANCE AT DECEMBER 31, 1946		

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CONSOLIDATED EARNED SURPLUS ACCOUNT

Balance at January 1, 1946		\$1,078,576.26
Add:		
Net profit for the year ended December 31, 1946	\$913,106.05	
Transfer from capital surplus of emergency facilities at original restated value	\$192,549.54	
Less: Estimated future applicable income taxes and other adjustments	<u>70,815.67</u>	121,733.87
		<u>1,034,839.92</u>
		\$2,113,416.18
Deduct:		
Repair and maintenance expense charged to reserve for depreciation in years prior to 1936	\$533,992.26	
Dividend declared—\$3.00 per share	<u>200,565.00</u>	734,557.26
		<u>\$1,378,858.92</u>
BALANCE AT DECEMBER 31, 1946		

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AUDITORS' CERTIFICATE

To the Board of Directors and Shareholders,
Columbia River Packers Association, Inc.:

We have examined the consolidated balance sheet of Columbia River Packers Association, Inc., and its subsidiary as at December 31, 1946 and the statements of profit and loss and surplus for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies, and without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and it included all procedures which we deemed necessary.

In our opinion, the accompanying balance sheet and statements of profit and loss and surplus present fairly the consolidated position of Columbia River Packers Association, Inc. and its subsidiary at December 31, 1946, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

San Francisco, California
February 17, 1947

WAYNE MAYHEW & COMPANY
Certified Public Accountants

**ADEL PRECISION PRODUCTS CORP.
AND SUBSIDIARY**

CONSOLIDATED BALANCE SHEET

December 31, 1946

ASSETS

Current assets:		
Cash on hand and on deposit		\$ 191,327.36
Accounts receivable—trade (less reserve \$46,234.36)		284,392.16
Inventories—at lower of average cost or market:		
Finished goods	\$ 332,691.94	
Work in process	1,248,750.33	
Raw materials	362,343.16	
Manufacturing supplies	<u>131,994.35</u>	<u>2,075,779.78</u>
TOTAL CURRENT ASSETS		\$2,551,499.30
Other assets:		
Receivables (including termination claims from companies in bankruptcy—estimated amounts recoverable)	\$ 354,292.35	
Estimated recoverable federal taxes on income and renegotiation rebates for prior years	315,619.78	
Deposits and miscellaneous receivables	<u>5,755.40</u>	<u>675,667.53</u>
Property, plant and equipment—at cost:		
Land	\$ 14,000.00	
Buildings and equipment	\$ 958,965.21	
Less: Reserves for depreciation	<u>265,413.56</u>	<u>693,551.65</u>
Emergency facilities	\$2,165,301.97	
Less: Reserves for amortization	<u>2,165,301.97</u>	<u>— 0 —</u>
Patents—at cost less amortization		109,149.93
Deferred charges:		
Tools and dies, less amortization	\$ 101,701.90	
Prepaid insurance, taxes and other expenses	<u>69,892.18</u>	<u>171,594.08</u>
		<u><u>\$4,215,462.49</u></u>

LIABILITIES

Current liabilities:		
Notes payable to bank—unsecured		\$ 850,000.00
Accounts payable		413,539.10
Accrued royalties and taxes		29,878.21
Owing to Transamerica Corporation:		
Demand notes, including accrued interest	\$2,058,899.78	
Less: Estimated amounts recoverable with respect to federal taxes on income	<u>1,102,423.96</u>	<u>956,475.82</u>
TOTAL CURRENT LIABILITIES		\$2,249,893.13
Minority interest in subsidiary		105.49
Capital stock and surplus:		
Capital stock (\$0.20 par value):		
Authorized 600,000 shares; outstanding 520,413 shares	\$ 104,082.60	
Surplus:		
Paid-in surplus	\$ 556,150.32	
Earned surplus	<u>1,305,230.95</u>	<u>1,861,381.27</u>
		<u><u>1,965,463.87</u></u>
		<u><u>\$4,215,462.49</u></u>

ADEL PRECISION PRODUCTS CORP.

PROFIT AND LOSS STATEMENT—A

Year ended December 31, 1946

Net sales		\$3,134,287.28
Cost of products sold		<u>3,315,032.45</u>
		\$ 180,745.17
Selling and administrative expenses		<u>783,512.75</u>
OPERATING LOSS		\$ 964,257.92
Other income:		
Interest earned	\$ 26,943.31	
Miscellaneous	<u>7,551.30</u>	<u>34,494.61</u>
		\$ 929,763.31
Other deductions:		
Interest paid	\$ 70,034.14	
Provision for loss on claims receivable from companies in bankruptcy	265,000.00	
Miscellaneous	<u>6,310.31</u>	<u>341,344.45</u>
		\$1,271,107.76
Amount recoverable from Transamerica Corporation in lieu of refund of federal taxes on income due to carry- backs of net operating loss and unused excess profits credit, less \$4,192.42 for adjustment of prior year's amount recoverable for such taxes—B		<u>1,000,807.58</u>
NET LOSS		<u><u>\$ 270,300.18</u></u>

Provision for depreciation of property, plant and equipment charged to costs and expenses amounted to \$53,465.49.

A—Adel Precision Products Corp. acquired from Transamerica Corporation 99.93% of the outstanding capital stock of Aerco Corporation on December 31, 1946; therefore a consolidation of profit and loss for the year is not appropriate. The net loss of Aerco Corporation for the year 1946 amounted to \$289,958.48.

B—The net operating loss will be included in consolidated federal income tax return of Transamerica Corporation and certain subsidiaries. The amount recoverable in lieu of federal income tax credit is not computed upon the company's proportionate interest in the consolidated return but is based on the amounts to which the company would be entitled as carry-backs had it filed on a separate return basis.

* * * *

PAID-IN SURPLUS ACCOUNT

Balance at January 1, 1946		\$ 415,362.89
Add: Proportionate share of book net asset value of subsidiary acquired December 31, 1946 in excess of par value of capital stock issued therefor		<u>140,787.43</u>
CONSOLIDATED PAID-IN-SURPLUS AT DECEMBER 31, 1946		<u><u>\$ 556,150.32</u></u>

* * * *

EARNED SURPLUS ACCOUNT

Balance at January 1, 1946		\$1,575,531.13
Deduct: Net loss for the year ended December 31, 1946		<u>270,300.18</u>
CONSOLIDATED EARNED SURPLUS AT DECEMBER 31, 1946		<u><u>\$1,305,230.95</u></u>

ENTERPRISE ENGINE & FOUNDRY COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET December 31, 1946

ASSETS

Current assets:

Cash on hand and on deposit		\$ 223,611.11
United States War bonds		2,568.75
Notes (\$16,152.94) and accounts receivable, trade (less reserve \$81,123.88)		1,419,453.58
Inventories—at lower of cost (generally first-in, first-out basis) or market:		
Finished products and work in process	\$2,620,482.22	.
Raw materials	230,545.61	
Manufacturing supplies	<u>56,483.79</u>	2,907,511.62
TOTAL CURRENT ASSETS		<u>\$4,553,145.06</u>

Other assets:

Claims and deposits	\$ 41,686.13	
Miscellaneous accounts receivable	<u>5,407.36</u>	47,093.49

Property, plant and equipment—at cost:

Land	\$ 96,119.50	
Buildings and equipment	\$1,613,412.13	
Less: Reserves for depreciation	<u>753,926.69</u>	859,485.44
Emergency facilities	\$ 591,487.77	
Less: Reserves for amortization	<u>591,487.77</u>	<u>— o —</u>
		955,604.94

Patents—at cost, less amortization		2,988.84
Deferred charges		<u>25,203.45</u>
		<u>\$5,584,035.78</u>

LIABILITIES

Current liabilities:

Notes payable to bank—unsecured		\$ 600,000.00
Accounts payable		942,493.86
Accrued taxes and insurance		107,317.80
Customers' advance payments		696,579.95
Owing to Transamerica Corporation in lieu of federal taxes on income (including \$94,451.70 for prior years)		<u>324,051.70</u>
TOTAL CURRENT LIABILITIES		<u>\$2,670,443.31</u>

Reserve for field service and product guarantee		214,042.80
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Capital stock and surplus:

Capital stock (\$100.00 par value):		
Authorized 10,000 shares; outstanding 5,130 shares	\$ 513,000.00	
Earned surplus	<u>2,186,549.67</u>	<u>2,699,549.67</u>
		<u>\$5,584,035.78</u>

A—In pending litigation, claims and counter-claims, aggregating \$157,119.52, have been asserted against the company for alleged breach of warranty.

ENTERPRISE ENGINE & FOUNDRY COMPANY AND SUBSIDIARY

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended December 31, 1946

Net sales		\$7,208,655.32
Cost of products sold		5,753,603.36
		\$1,455,051.96
Selling and administrative expenses		877,571.90
OPERATING PROFIT		\$ 577,480.06
Other income:		
Costs and expenses (\$68,482.26) deemed applicable to reconversion reserve adjusted by indicated tax benefit	\$ 42,459.00	
Profit on sale of property and equipment	61,111.64	
Miscellaneous	60,717.17	164,287.81
		\$ 741,767.87
Other deductions:		
Interest paid	\$ 12,294.96	
Provision for bad debts, less recoveries	14,441.80	
Miscellaneous	10,009.62	36,746.38
		\$ 705,021.49
Amount payable to Transamerica Corporation in lieu of federal taxes on income for the year 1946—A		229,600.00
PROFIT BEFORE SPECIAL CREDIT		\$ 475,421.49
Special credit:		
Portion of reserve for reconversion expenses no longer required		32,541.00
NET PROFIT		\$ 507,962.49

Provision for 1946 depreciation of property, plant and equipment charged to costs and expenses amounted to \$120,196.71.

A—Charge in lieu of income tax has been computed as though a separate return would be filed; however, taxable income will be consolidated with that of Transamerica Corporation and certain subsidiaries and this charge does not purport to represent a proportionate share of consolidated tax.

* * * *

CONSOLIDATED EARNED SURPLUS ACCOUNT

Balance at January 1, 1946		\$1,678,587.18
Add: Net profit for the year ended December 31, 1946		507,962.49
BALANCE AT DECEMBER 31, 1946		\$2,186,549.67

GENERAL METALS CORPORATION

BALANCE SHEET

December 31, 1946

ASSETS

Current assets:

Cash on hand and on deposit		\$1,047,228.52
Notes receivable and accrued interest		50,729.45
Accounts receivable, trade (less reserve \$20,000.00)		535,523.28

Inventories—A:

Finished products	\$ 228,479.71	
Metals and alloys	384,815.06	
Foundry supplies	78,263.49	691,558.26

TOTAL CURRENT ASSETS \$2,325,039.51

Other assets:

Claims and sundry receivables	\$ 51,781.26	
Insurance and other deposits	6,425.00	58,206.26

Property, plant and equipment (at cost, except land which is stated at amounts determined by appraisals):

Land	\$ 483,528.61	
Buildings and equipment	\$2,949,452.10	
Less: Reserves for depreciation	1,886,269.79	1,063,182.31
Emergency facilities	\$ 510,262.07	
Less: Reserves for amortization	510,262.07	— 0 —

1,546,710.92

Deferred charges:

Prepaid insurance, taxes, etc.		40,592.83
		\$3,970,549.52

LIABILITIES

Current liabilities:

Accounts payable		\$ 348,511.98
Federal taxes on income (including prior years' taxes and interest amounting to \$204,593.05)—estimated		466,593.05
Taxes, other than federal taxes on income		70,806.73

TOTAL CURRENT LIABILITIES \$ 885,911.76

Capital stock and surplus:

Capital stock (\$2.50 par value):		
Authorized 400,000 shares; outstanding 264,460 shares	\$ 661,150.00	

Surplus:

Unearned surplus—representing appreciation of land based upon appraisals	\$ 314,007.13	
Paid-in surplus (no change during year)	419,940.37	
Earned surplus (since April 1, 1933)	1,689,540.26	2,423,487.76
		\$3,084,637.76

\$3,970,549.52

A—Inventory of finished products is included at selling prices less a percentage to reduce to approximate factory cost. Metals and alloys and foundry supplies are included at the lower of cost (generally first-in, first-out basis) or market.

GENERAL METALS CORPORATION

PROFIT AND LOSS STATEMENT

Year ended December 31, 1946

Net sales		\$5,644,440.62
Cost of products sold		<u>4,711,643.68</u>
		\$ 932,796.94
Selling and administrative expenses		<u>259,115.80</u>
OPERATING PROFIT		\$ 673,681.14
Other income, including \$144,276.85 net adjustment of buildings and equipment and related reserves, applicable to prior years—A		<u>177,397.66</u>
		\$ 851,078.80
Other deductions:		
Provision for federal taxes on income and other expenses resulting from above described adjustment	\$ 144,276.85	
Insurance, taxes and expense of non-operating property	30,585.64	
Other charges, including loss (\$1,400.86) on sales of land computed on appraised value	<u>12,316.10</u>	187,178.59
PROFIT BEFORE FEDERAL TAXES ON INCOME		\$ 663,900.21
Federal taxes on income for the year—estimated		<u>262,000.00</u>
NET PROFIT		<u>\$ 401,900.21</u>
Provision for 1946 depreciation of property, plant and equipment charged to costs and expenses amounted to \$116,249.91.		

A—Adjustment based on preliminary review by Bureau of Internal Revenue.

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UNEARNED SURPLUS ACCOUNT

Balance at January 1, 1946		\$ 363,406.00
Less: Transfer to earned surplus of appreciation applicable to land sold reflected in loss charged to income		<u>49,398.87</u>
BALANCE AT DECEMBER 31, 1946		<u>\$ 314,007.13</u>

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EARNED SURPLUS ACCOUNT

Balance at January 1, 1946		\$1,449,809.18
Add:		
Net profit for the year ended December 31, 1946	\$ 401,900.21	
Transfer from unearned surplus (see above)	<u>49,398.87</u>	451,299.08
		\$1,901,108.26
Deduct: Dividends paid—\$.80 a share		<u>211,568.00</u>
BALANCE AT DECEMBER 31, 1946		<u>\$1,689,540.26</u>

OCCIDENTAL LIFE INSURANCE COMPANY OF CALIFORNIA

BALANCE SHEET

December 31, 1946

ASSETS

Cash on hand and on deposit	\$ 4,260,571.61
Trust funds (contra)	1,047,478.09
Notes, loans, liens, contracts and premiums receivable:	
Mortgage loans on real estate—first liens	\$73,489,516.78
Loans to policyholders—secured by policy reserves	5,096,119.44
Liens on policies of acquired company	123,780.15
Real estate sales contracts	790,503.54
Net life premiums—deferred and in course of collection	<u>5,184,035.43</u>
Owing from affiliated company—on real estate mortgage	503,961.10
Security investments:	
Bonds—at amortized cost	\$24,974,500.02
Capital stocks of affiliated banks and affiliated company—A	\$ 1,661,721.25
Excess of market value over cost	<u>1,579,993.75</u> 3,241,715.00
Other capital stocks—A	\$31,904,074.86
Less: Excess of cost over market value	<u>55,689.44</u> <u>31,848,385.42</u>
Real estate—Home Office Building (at depreciated value) and other real estate at cost	1,186,304.91
Other assets, including interest due and accrued, etc.	<u>891,559.77</u>
	<u>\$152,638,431.26</u>
Management funds, consisting of cash, securities and other assets administered by the company on a fee basis	<u>7,964,758.35</u>
	<u>\$160,603,189.61</u>

LIABILITIES

Policy reserves for future benefits as required by law	\$125,831,684.00
Trust funds (contra)	1,047,478.09
Reported and unreported claims	2,504,492.69
Undistributed premium payments, etc.	1,923,903.06
Other liabilities	1,805,996.94
Prepayments and unearned income—premiums and interest	4,817,677.87
Dividends to policyholders—apportioned to policies	441,663.72
Reserve for contingencies—A	1,524,304.31
Other reserves (not including insurance benefits)	352,323.26
Capital stock and surplus:	
Capital stock (\$300.00 par value):	
Authorized and outstanding—10,000 shares	\$ 3,000,000.00
Surplus:	
Paid-in surplus	\$ 1,102,835.08
Earned surplus	<u>8,286,072.24</u> <u>9,388,907.32</u>
	<u>12,388,907.32</u>
Management funds:	
Policy and other liabilities	\$ 7,876,402.17
Unassigned surplus	<u>88,356.18</u> <u>7,964,758.35</u>
	<u>\$160,603,189.61</u>

A—Investments in capital stocks are stated at cost with adjustments to reflect market value based on prices furnished by the National Association of Insurance Commissioners. The adjustments from cost to the basis indicated are offset by the reserve for contingencies.

B—Assets of the company valued at \$23,604,881.45 are deposited with Insurance Commissioners of states in which the company is authorized to do business as required by law, or for the protection of policyholders.

PACIFIC NATIONAL FIRE INSURANCE COMPANY

BALANCE SHEET December 31, 1946

ASSETS

Cash on hand and deposit		\$ 1,493,561.16
Security investments—A:		
Bonds—at amortized cost—B	\$5,107,320.02	
Capital stocks—at cost	\$5,445,865.86	
Excess of market value over cost	618,129.14	6,063,995.00
Capital stock of subsidiary—at parent's cost	\$1,500,000.00	
Excess of adjusted book net asset value over parent's cost	1,405,138.49	2,905,138.49
Agents' and premium balances receivable in course of collection	\$1,207,031.84	
Deduct: Ceded reinsurance balances payable	485,368.93	721,662.91
Reinsurance recoverable on paid losses		64,727.67
Interest due and accrued on bonds not in default		18,403.42
Real estate—Home Office Building—at depreciated value		242,250.00
		\$16,617,058.67

LIABILITIES

Reserve for unearned premiums		\$ 7,817,032.06
Estimated losses and claims, including estimated applicable expenses		907,914.00
Other liabilities:		
Taxes, other than federal taxes on income	\$ 263,165.16	
Contingent commissions	40,000.00	
Other expenses	11,500.00	314,665.16
Reserves:		
For contingencies—A	\$2,023,267.63	
Deferred profit on sale of securities later repurchased	409,286.42	2,432,554.05
Capital stock and surplus:		
Capital stock (\$25.00 par value):		
Authorized and outstanding—50,000 shares	\$1,250,000.00	
Surplus:		
Paid-in surplus	\$5,036,338.95	
Earned surplus— <i>deficit</i>	1,141,445.55	3,894,893.40
		\$16,617,058.67

A—Investments in capital stocks, other than capital stock of subsidiary, are stated at cost with adjustments to reflect market value based on prices furnished by the National Association of Insurance Commissioners. Investment in capital stock of subsidiary is stated at parent's (donor) cost with adjustment to reflect adjusted book net asset value. The adjustments to the bases indicated are offset by a reserve for contingencies.

B—United States Treasury bonds, carried at \$255,000.00, were deposited with public officials of various states for purposes required by law.

PREMIER INSURANCE COMPANY

BALANCE SHEET

December 31, 1946

ASSETS

Cash on hand and on deposit		\$ 353,770.61
Security investments—A:		
Bonds—at amortized cost—B	\$ 200,470.14	
Capital stocks of affiliates (banks and other company)—at cost	\$1,254,243.32	
Excess of market value over cost	825,986.68	2,080,230.00
Capital stocks of other corporations— at cost	\$ 825,830.00	
Excess of market value over cost	463,350.00	1,289,180.00
Mortgage loans on real estate—first liens		28,621.10
Gross premiums, less return premiums and reinsurance, in course of collection, of which \$549,114.41 is owing from affiliates		558,145.07
Interest due and accrued		1,470.75
Account receivable from affiliated company		6,261.91
Real estate—Home Office Building—at depreciated value		446,452.14
		\$4,964,601.72

LIABILITIES

Reserve for unearned premiums		\$1,425,191.54
Estimated losses and claims, including estimated applicable expenses		416,515.68
Other liabilities:		
Taxes, including \$34,165.58 for federal taxes on income	\$ 93,708.97	
Commissions, brokerage and other expenses, of which \$82,915.50 is owing to affiliates	107,797.04	
Amount due broker on security purchase	16,250.00	217,756.01
Reserve for contingencies—A		1,289,336.68
Capital stock and surplus:		
Capital stock (\$100.00 par value):		
Authorized and outstanding—2,000 shares	\$ 200,000.00	
Surplus:		
Paid-in surplus	\$1,300,000.00	
Earned surplus	115,801.81	1,415,801.81
		\$4,964,601.72

A—Investments in capital stocks are stated at cost with adjustments to reflect market value based on prices furnished by the National Association of Insurance Commissioners, except investment in one affiliate reflected at cost which is below book net asset value. The adjustment to the basis indicated is offset by the reserve for contingencies.

B—United States Treasury bond, carried at \$100,421.39, was deposited with the Treasurer of the State of California for the protection of policyholders.

BANCA D'AMERICA E D'ITALIA (ITALY)

CONDENSED STATEMENT OF CONDITION

December 31, 1946

ASSETS

Cash on hand and due from banks	Lit.	7,913,913,872.06
Government bonds and Treasury notes		374,038,203.05
Bonds and cash securing outstanding checks and excess deposits		1,974,000,000.00
Other securities		87,261,389.70
Loans on bonds and other securities		2,834,515,099.89
Bills discounted		1,738,443,645.49
Advances to customers		3,177,163,992.04
Customers' liability under acceptances and guarantees, etc. . . .		3,910,280,728.85
Bank premises, furniture and fixtures		93,919,935.16
Other assets		151,970,752.24
Staff liquidation fund		59,859,828.85
		<hr/>
	Lit.	<u>22,315,367,447.33</u>

LIABILITIES

Capital	Lit.	200,000,000.00
Undivided profits		50,648,014.36
Legal reserve		20,000,000.00
Deposits		17,764,536,325.33
Acceptances and guarantees, etc.		3,910,280,728.85
Discount collected but not earned		56,694,190.85
Other liabilities		134,891,254.75
Staff liquidation reserve		178,316,933.19
		<hr/>
	Lit.	<u>22,315,367,447.33</u>

BOARD OF DIRECTORS AND SHAREHOLDERS,
TRANSAMERICA CORPORATION:

We have examined the balance sheet of TRANSAMERICA CORPORATION as of December 31, 1946, and its statements of income and surplus for the year then ended. We also have examined the balance sheets at the same date and the related statements of income and surplus of the domestic subsidiaries, except banks, and except four subsidiaries reported on by other public accountants. In connection with the examinations, we reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examinations were made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The accounting principles of the companies are consistent with those followed in the preceding year except for changes by Capital Company in the method of accounting for profits and losses on sales of real estate and the treatment of real estate reserves, which changes have our approval. In 1945 and prior years, profits and losses resulting from such sales were reflected in reserves for revaluation which had been provided in part from income and in part from surplus. In 1946 the results of such transactions (net profit \$2,358,975.68) have been taken up in the income statement and a charge (\$131,717.14) for depreciation of the properties has been made against income. The reserves for revaluation of real estate theretofore carried were allocated as of January 1, 1946 to reserves for depreciation (equal to depreciation taken for tax purposes on the properties then owned), applied against specific properties for reduction to the management's appraisal thereof, and an excess of \$245,146.23 was credited to income for the year 1946.

In our opinion, accepting the determination of the Board of Directors, made in 1942 and reaffirmed on January 3, 1947, as to the adequacy of the reserve for investment in Banca d'America e d'Italia and other foreign securities, the accompanying balance sheet and statements of income and surplus of TRANSAMERICA CORPORATION present fairly the position of that Corporation at December 31, 1946 and the results of its operations for the year, in conformity with generally accepted accounting principles.

Further, accepting the policy reserves of Occidental Life Insurance Company of California as reported by that company's actuary, it is our opinion that the accompanying balance sheets of Capital Company, General Metals Corporation, Occidental Life Insurance Company of California, Pacific National Fire Insurance Company and Premier Insurance Company and the consolidated balance sheets of Adel Precision Products Corp., Enterprise Engine & Foundry Company and their subsidiaries, present fairly the position or consolidated position of each company, at December 31, 1946, and that the statements of income and surplus of Capital Company, Adel Precision Products Corp., and General Metals Corporation, and the consolidated statement of income and surplus of Enterprise Engine & Foundry Company and its subsidiary, present fairly the results of their operations for the year in conformity with generally accepted accounting principles.

ERNST & ERNST
Certified Public Accountants.

San Francisco, California
March 6, 1947.