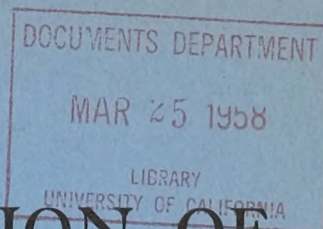


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Report To The Congress



LIQUIDATION OF
RECONSTRUCTION FINANCE
CORPORATION

PS Docs



JUNE 30, 1957

Department of The Treasury



THE SECRETARY OF THE TREASURY
WASHINGTON

December 10, 1957

Sirs:

I have the honor to submit herewith a report on the liquidation of the Reconstruction Finance Corporation. Reports on the liquidation of the Corporation were required quarterly under the provisions of the RFC Liquidation Act, as amended (Public Law 163, 83rd Congress). The Reconstruction Finance Corporation was abolished at the close of June 30, 1957, as directed by the provisions of Reorganization Plan No. 1 of 1957.

Previous reports in this series were primarily devoted to the progress made during quarterly reporting periods. This report is a summary of the entire liquidation and disposition of all assets owned or administered by the RFC at any time from the effective date of the RFC Liquidation Act (September 28, 1953) to the abolition of the Corporation on June 30, 1957. Included among these assets were the Government-owned facilities for the production of synthetic rubber and refined tin, which have been sold to private operators.

The report also includes the Corporation's financial statements for the fiscal year ended June 30, 1957, and a schedule of individual loans of \$100,000 or over, which were required to be submitted annually under the provisions of the RFC Act.

Robert B. Anderson
Secretary of the Treasury

To the President of the Senate

To the Speaker of the House of Representatives

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Report to the Congress

PROGRESS OF LIQUIDATION, JUNE 30, 1957

The Reconstruction Finance Corporation was abolished on June 30, 1957, as directed by sections 6 and 7 of Reorganization Plan No. 1 of 1957.

The liquidation of the Corporation was conducted in accordance with the provisions of the Reconstruction Finance Corporation Liquidation Act which became effective September 28, 1953. At that time, the RFC held or administered assets and commitments totaling in excess of \$2 billion. Less than \$100 million of this remained when the Corporation was abolished. The remaining assets were transferred by the provisions of Reorganization Plan No. 1 of 1957 to other Government agencies administering continuing programs of similar natures.

This report outlines the policies, programs, and procedures followed in the liquidation of the Corporation's assets, and summarizes the financial results of the liquidation.

THE RFC LIQUIDATION ACT

The RFC Liquidation Act (Public Law 163, 83d Cong.) was approved July 30, 1953. This act provided for liquidation of the Corporation in accordance with sections 9 and 10 of the RFC Act, as amended (47 Stat. 5). Under these provisions, the RFC continued as an independent agency until June 30, 1954. Thereafter, for further liquidation, the Secretary of the Treasury succeeded to all powers, duties, and authorities previously exercised by the Administrator of RFC.

The RFC Liquidation Act also provided for termination of the Corporation's authority to make loans, effective September 28, 1953, and progress in the liquidation of the lending portfolio is measured from that date.

Other provisions of the RFC Liquidation Act directed that the following programs be transferred from the Corporation:

Lending under section 409, Federal Civil Defense Act of 1950, to the Secretary of the Treasury, effective September 28, 1953.

Lending under title III, Defense Production Act, as amended, as directed by the President. By Executive Order 10489, the President transferred this program to the Secretary of the Treasury, effective September 29, 1953.

The production programs conducted under the Rubber Act of 1948 (synthetic rubber), the Abaca Production Act of 1950 (abaca fiber), and Public Law 125, 80th Congress (tin)—as directed by the President. By Executive Order 10539, effective June 30, 1954, the synthetic rubber and tin programs were transferred to the Federal Facilities Corporation, and the abaca fiber program was transferred to the General Services Administration. The Federal Facilities Corporation was organized by the Secretary of the Treasury, as directed by the President under the provisions of the Rubber Act of 1948.

ASSETS TO BE LIQUIDATED

At the time the RFC liquidation became effective, the assets held or administered by the Reconstruction Finance Corporation totaled \$1,760,500,000. In addition, there were outstanding commitments to make or participate in loans which amounted to \$250,500,000. After giving effect to liabilities of \$39,400,000 and reserves of \$461,100,000, the bulk of which consisted of reserves for depreciation of fixed assets, the net Government investment in these programs on September 28, 1953, was \$1,260 million, with a potential additional investment of \$250,500,000 represented by the undisbursed commitments. This investment in its main categories was as follows:

	In millions of dollars		
	Gross value of assets	Net investment of U. S. Government	Undisbursed commitments
RFC lending program.....	726. 9	672. 4	110. 3
Defense Production Act lending program.....	136. 5	130. 9	136. 4
Civil Defense lending program.....	1. 9	1. 8	3. 8
Production programs and other assets remaining from World War II.....	891. 7	452. 2	-----
Smaller War Plants Corporation.....	3. 5	2. 7	-----
Total.....	1, 760. 5	1, 260. 0	250. 5

LIQUIDATION POLICY

The RFC Liquidation Act directed that the liquidation of the Corporation "be carried out as expeditiously as possible." It was the aim of the liquidation program to comply with that directive but also to achieve maximum recovery of the Government's investment of taxpayers' funds. At the same time, every possible consideration was given to the interests of those indebted to the Corporation and the communities in which their businesses were located.

REORGANIZATION PLAN NO. 2 OF 1954

When the liquidation of RFC was undertaken, it was apparent that the Corporation held certain assets in its lending program which would require a protracted period to work out to the best advantage. To retain such assets in RFC would have required continuation of the Corporation far beyond the time when it could serve economically as a liquidating agency. Therefore, Reorganization Plan No. 2 of 1954 was proposed and adopted, effective June 30, 1954. Under this plan, the functions of liquidating certain lending program assets were transferred to agencies conducting continuing programs of similar natures. The transfers effected under the plan were as follows:

1. To the Export-Import Bank of Washington:

- (a) The loan made by RFC to the Republic of the Philippines under section 3 of the Joint Resolution of August 7, 1946;

- (b) The loans made by RFC to the Government of Ecuador and the Newfoundland Railway of St. Johns, Newfoundland;

- (c) The capital stock of the Banco de Barracho (later known as the Amazon Credit Bank), Belem, Brazil;

- (d) All foreign bonds and securities acquired by RFC in the liquidation of its lending programs.

2. To the Small Business Administration:

The loans made by RFC to victims of floods or other catastrophes.

3. To the Federal National Mortgage Association:

The mortgages held by RFC which were made or acquired under the authorities of the RFC Mortgage Company or the Defense Homes Corporation.

RFC LENDING PROGRAM ASSETS

The assets held on September 28, 1953, in connection with RFC's lending program were as follows:

	<i>In thousands of dollars</i>
Cash.....	22, 886
Loans and securities.....	686, 471
Accrued interest receivable.....	7, 226
Acquired collateral.....	7, 551
Other assets and receivables.....	2, 840
	<hr/> 726, 974

Reserves for losses amounting to \$48,267,000 were carried in connection with the loans and securities.

In addition to the assets actually carried on the books, the Corporation had outstanding on September 28, 1953, commitments to make loans amounting to \$110,320,000; of these, \$26,424,000 were deferred commitments to purchase participations in loans made by banks.

Included in the portfolio of loans, securities, and commitments noted above are those which later were to be transferred from RFC under the provisions of Reorganization Plan No. 2 of 1954. The amounts of these, and the reductions made in the portfolio up until the time of transfer, were as follows:

	Dollar amounts in thousands					
	Outstanding Sept. 28, 1953		Net reduction in portfolio		Outstanding June 30, 1954	
	Number	Amount	Number	Amount	Number	Amount
Transferred to Small Business Administration:						
Disaster loans.....	3, 373	\$16, 143	143	\$1, 396	3, 230	\$14, 747
Disaster loan commitments.....	232	2, 226	223	1, 724	9	502
Transferred to Federal National Mortgage Association:						
Direct, insured, and partially guaranteed mortgages.....	15, 594	69, 484	556	5, 266	15, 038	64, 218
Purchase money mortgages.....	4	42, 304		785	4	41, 519
Transferred to Export-Import Bank: Loan to Republic of the Philippines.....	1	48, 000		6, 000	1	42, 000
Total.....	19, 204	178, 157	922	15, 171	18, 282	162, 986

As noted in the table on page two, the loans and securities of RFC's lending program amounted to \$686,471,000 on September 28, 1953, and there were in addition commitments of \$110,320,000, of which \$26,424,000 were deferred. Excluding those assets later transferred under Reorganization Plan No. 2 of 1954,

there was \$510,540,000 in loans and securities and \$108,094,000 in commitments considered to be of types whose liquidation could best be accomplished by the Corporation itself. The composition of this portfolio on September 28, 1953, and the liquidation accomplished to June 30, 1957, are shown in the following tabulation:

	Dollar amounts in thousands					
	Outstanding Sept. 28, 1953		Net reduction in portfolio		Outstanding June 30, 1957	
	Number	Amount	Number	Amount	Number	Amount
Business enterprises:						
Loans and securities.....	4, 543	\$352, 327	3, 788	\$300, 828	755	\$51, 499
Commitments.....	85	43, 205	85	42, 444		761
Railroads:						
Loans and securities.....	13	83, 915	5	75, 348	8	8, 567
Commitments.....	1	717	1	717		
Securities of financial institutions.....	35	45, 490	33	40, 711	2	4, 779
Public agencies:						
Securities.....	268	28, 808	199	24, 172	69	4, 636
Commitments.....	29	37, 748	29	36, 248		1, 500
Total.....	4, 974	592, 210	4, 140	520, 468	834	71, 742
Commitments for deferred participation in business loans made by banks.....	1, 676	26, 424	1, 590	19, 857	86	6, 567
Grand total.....	6, 650	618, 634	5, 730	540, 325	920	78, 309

BUSINESS LOANS AND SECURITIES

Liquidation of the business loan portfolio was the most complex task confronting the Corporation. On September 28, 1953, there were 4,628 direct business loans and commitments outstanding which amounted to \$395,532,000. In addition, the Corporation was committed, on a deferred basis, to purchase participating shares in 1,676 business loans made by banks, such commitments totaling \$26,424,000.

Not only did the business loans represent the heaviest investment in the portfolio but the major portion of the Corporation's administrative costs were incurred in servicing this large number of loans scattered throughout the Nation. The loans varied in size from a few with outstanding balances of less than \$100 to one loan of \$48,400,000. Fewer than 100 of the loans had balances exceeding \$500,000. In approximately 3,000 cases, the amount due RFC was less than \$25,000.

DISPOSAL OF SMALLER BUSINESS LOANS

To dispose of the smaller business loans in its portfolio, the Corporation, with the cooperation of a committee of bankers appointed by the American Bankers Association and the Association of Reserve City Bankers, developed a plan for the creation of what was termed the "RFC Loan Pool." As of February 28, 1954, 2,848 loans were selected for the pool. All but two of these had outstanding balances under \$500,000. The aggregate amount of the unpaid balances and commitments was \$73,381,000. Certificates of Interest bearing interest at the rate of 3½% per annum, each representing an undivided share of the pool loans, were sold to nearly 1,000 banks and private investors. The certificates of interest totaled \$47,165,000, and their sale resulted in the immediate return of that amount to the Government.

With the assistance of Regional Advisory Committees composed of leading bankers, 1,194 banks were enlisted to take over the servicing of pool loans to borrowers in their own or nearby communities. This step made it possible to close all of the RFC Regional Offices and thereby relieved the Corporation of the major share of its administrative costs. It also served to establish or reestablish a close relationship between RFC borrowers and private banks.

In establishing the loan pool, it was anticipated that this closer relationship would result in repayment or refinancing of the loans at dates much earlier than otherwise would have occurred. This expectation was borne out in actual experience.

The results to June 30, 1957, of the opera-

tions of the RFC Loan Pool are summarized in the table below:

	Dollars in thousands			
	Pool loans outstanding		Interest of participants	
	Number	Amount	RFC	Certificate holders
Feb. 28, 1954----	2, 848	\$73, 381	\$26, 216	\$47, 165
June 30, 1954----	2, 403	59, 144	26, 216	32, 928
June 30, 1955----	1, 489	32, 333	19, 035	13, 298
June 30, 1956----	931	18, 723	18, 056	667
June 30, 1957----	498	7, 669	7, 669	-----

In the 40 months to June 30, 1957, more than 80 percent of the loans placed in the pool had been retired and nearly 90 percent of the original outstanding balances repaid. The certificates of interest were completely retired on July 5, 1956.

DISPOSAL OF LARGE BUSINESS LOANS

The disposal of the larger business loans presented entirely different problems than those involved in the smaller loans placed in the loan pool. The size of the outstanding balances and the divergent provisions of the loan agreements made it necessary to undertake disposal of these loans through individual negotiations with borrowers and with banks, investment houses, and other financing institutions.

The list below shows those borrowers who had RFC loans and commitments aggregating \$500,000 or more on September 28, 1953, and notes the disposition made of their obligations to the Government.

RFC BUSINESS LOANS AND COMMITMENTS AGGREGATING \$500,000 OR MORE TO ANY ONE BORROWER, SEPT. 28, 1953

	Outstanding and undisbursed,* Sept. 28, 1953 (gross amount)	Bank participation (percent)	Disposition
Alabama:			
Alabama Grain Elevator, Mobile-----	\$1, 185, 963	-----	Sold outright.
Belcher, W. E., Lumber Co., Centerville.	*194, 036 664, 454	23½%	Privately refinanced.
Arizona: Copper Cities Mining Co., Miami.	3, 500, 000	-----	Do.
	*4, 000, 000		
California:			
Coastal Plywood & Timber Co, Cloverdale.	885, 000	25	Sold subject to repurchase agreement;
Ensher, Alexander & Barsoom, Sacramento.	425, 000	40	Government liability later canceled.
Langley Corp., San Diego-----	989, 657	-----	Privately refinanced.
	321, 660	-----	\$340,130 outstanding June 30, 1957.
	*230, 339		
Northrop Aircraft, Inc., Hawthorne----	2, 629, 230	-----	Privately refinanced.

**RFC BUSINESS LOANS AND COMMITMENTS AGGREGATING \$500,000 OR MORE TO ANY ONE
BORROWER, SEPT. 28, 1953—Continued**

	Outstanding and undisbursed,* Sept. 28, 1953 (gross amount)	Bank partici- pation (percent)	Disposition
California—Continued			
Pacific States Steel Corp., Oakland-----	1, 351, 898	23. 4	Sold subject to repurchase agreement; Government liability later canceled.
Hal Roach Studios, Inc., Culver City--	1, 152, 632	-----	Sold subject to repurchase agreement; Government commitment \$649,188 on June 30, 1957.
Connecticut:			
Fenn Manufacturing Co., Hartford-----	109, 826	20	Paid in full.
	225, 407	10	Do.
	392, 100	10	Do.
New Haven Clock & Watch Co., New Haven.	1, 357, 165	-----	Also had DPA loan of \$360,000 which has been repaid; \$924,169 of RFC loan outstanding June 30, 1957.
Florida: Simberg, H. & J., Miami Beach---	713, 966	-----	Privately refinanced.
Illinois:			
Martin, H. S. & Co., Evanston-----	275, 000	-----	Sold subject to repurchase agreement; Government liability later canceled.
	*225, 000	-----	Do.
Solo Cup Co., Chicago-----	604, 192	-----	\$453,138 outstanding June 30, 1957.
South Water Building Corp., Rockford--	425, 125	-----	
	*275, 875	-----	\$990, 548 outstanding June 30, 1957.
South Water Machinery Corp., Rock- ford.	802, 114	-----	
	*1, 461, 886	-----	
Iowa: Davenport Besler Corp., Davenport--	771, 688	-----	Paid in full from proceeds of voluntary liquidation.
Kentucky: Green River Steel Corp., Owens- boro.	3, 556, 126	-----	Also has DPA loan of \$5,000,000; RFC loan taken over under DPA authority.
Maine: Portland Copper & Tank Works, Portland.	600, 000	33½	Paid in full at maturity.
Massachusetts:			
A. & P. Corrugated Box Corp., Lowell--	870, 969	-----	Sold subject to repurchase agreement; Government liability later canceled.
	*526, 885	-----	Paid in full in advance of maturity.
Borden, R. Mills Corp., Fall River-----	353, 716	-----	Do.
	413, 238	-----	\$423, 967 outstanding on June 30, 1957.
Hayward Woolen Co., Whittinsville-----	839, 367	-----	Paid in full.
	95, 000	-----	Privately refinanced.
Monument Mills, Inc., Housatonic-----	509, 000	-----	\$1,013,205 outstanding June 30, 1957.
Waltham Watch Co., Waltham-----	1, 353, 336	-----	
Michigan:			
Detroit Steel Corp., Detroit-----	35, 160, 000	10	Privately refinanced; RFC accepted \$6 million in preferred stock as part payment—balance in cash; \$3 million of the preferred stock later retired; \$3 million of preferred stock out- standing on June 30, 1957.
	*8, 000, 000	10	Sold subject to repurchase agreement; Government liability later canceled.
Heidrich Tool & Die Corp., Detroit----	586, 671	-----	Commitment canceled.
	*7, 272	-----	Paid in full.
Huck Manufacturing Co., Detroit-----	*1, 400, 000	-----	Do.
Kaiser-Frazer Corp., Willow Run-----	24, 940, 077	-----	Privately refinanced.
Kaiser-Frazer Sales Corp., Willow Run--	8, 421, 900	-----	Do.
	17, 440	-----	
Ryan Industries, Inc., Detroit-----	600, 000	-----	Sold subject to repurchase agreement; Government commitment \$486,761 on June 30, 1957.
	1, 470, 459	-----	
Missouri: American Fixture & Manufac- turing Co., St. Louis (now Chromcraft Corp.).			Sold subject to repurchase agreement; Government liability later canceled.
Nevada: Mapes Hotel Corp., Reno-----	813, 221	25	Sold outright.
New Jersey: Pantasote Co., Passaic-----	552, 166	-----	
New York:			
Carthage Hydrocol, Inc., New York----	8, 475, 000	-----	Notes sold outright to institutional in- vestors.
	3, 275, 000	-----	
	5, 998, 595	-----	\$427,500 outstanding on June 30, 1957.
Deep Water Terminals, Inc., Brooklyn--	730, 000	-----	Paid in full.
General Textile Mills, Inc., New York--	470, 000	-----	Do.
	164, 000	-----	Liquidated through bankruptcy pro- ceedings.
Segal Lock & Hardware Co., Inc., New York.	1, 444, 064	-----	
Ohio:			
Braun Bros. Packing Co., Troy-----	569, 000	-----	\$352,508 outstanding on June 30, 1957.
	125, 680	-----	
Davey Compressor Co., Kent-----	550, 000	-----	Paid in full.
	56, 000	-----	Do.
Glass Fibers, Inc., Waterville-----	1, 916, 498	-----	Refinanced from proceeds of private sale of debentures.

**RFC BUSINESS LOANS AND COMMITMENTS AGGREGATING \$500,000 OR MORE TO ANY ONE
BORROWER, SEPT. 28, 1953—Continued**

	Outstanding and undisbursed,* Sept. 28, 1953 (gross amount)	Bank partici- pation (percent)	Disposition
Ohio—Continued			
Rie Wil Co., Cincinnati-----	592, 500	-----	Privately refinanced.
Tyson Bearing Corp., Massillon-----	80, 000	-----	Also had DPA loans of \$1,375,000; all
	675, 434	13. 2	refinanced through purchase by new
			interest.
Yeager Co., Akron-----	994, 000	15. 4	Privately refinanced.
Oklahoma: Lawton Community Hotel, Inc., Lawton.	*700, 000	14. 3	Disbursed and sold subject to repur- chase agreement; Government com- mitment \$524,775 on June 30, 1957.
Oregon:			
Lamb Weston, Inc., Weston-----	500, 000	-----	Paid in full.
Oregon Fibre Products, Inc., Pilot Rock.	689, 757	-----	\$2,830,000 outstanding June 30, 1957.
	*2, 410, 242	-----	
Roseburg Lumber Co., Roseburg-----	1, 832, 000	60	Sold subject to repurchase agreement; Government liability later canceled.
			Sold outright.
Snellstrom Lumber Co., Eugene-----	550, 000	-----	Undisbursed commitment canceled.
	*125, 000	-----	\$2 million retired through refinancing; balance retired from borrower's own
South Carolina: Carolina Giant Cement Co., Harleyville.	3, 141, 807	10	funds.
			Sold subject to repurchase agreement; Government commitment \$2,418,300
Tennessee: Wheland Co., Chattanooga-----	3, 765, 198	-----	on June 30, 1957.
	251, 401	-----	
Texas:			
Alford Refrigerated Warehouse, Dallas.	2, 809, 100	-----	Sold subject to repurchase agreement; Government commitment later can- celed.
	251, 401	-----	\$275, 000 outstanding on June 30, 1957.
Civic Hotel Corp., Odessa-----	515, 422	-----	Paid in full.
Hyde Corp., Fort Worth-----	900, 000	-----	Do.
	88, 000	-----	Also has DPA loan of \$40.3 million; the
Lone Star Steel Co., Dallas-----	34, 940, 485	-----	DPA loan and \$15,962,994 of RFC
	*13, 500, 000	-----	loan outstanding on June 30, 1957.
Texas City Refining Co., Texas City---	3, 861, 065	-----	Sold subject to repurchase agreement; Government liability later canceled.
			Government share \$7,305,885 on June
Texas Consolidated Oils, Dallas-----	12, 390, 141	35. 4	30, 1957.
	*772, 579	-----	\$545,355 outstanding June 30, 1957.
Texas Frozen Foods Corp., Harlingen--	632, 355	-----	
Virginia:			
Albemarle Paper Manufacturing Co., Richmond.	4, 979, 638	-----	Privately refinanced.
Virginia Lincoln Corp., Marion-----	645, 269	-----	Paid through bankruptcy proceedings.
	*824, 730	-----	
Washington: Seidelhuber Steel Rolling Mills, Seattle.	760, 000	-----	\$686, 679 outstanding June 30, 1957.
West Virginia: West Virginia Steel & Manu- facturing Co., Huntington.	2, 969, 833	-----	Privately refinanced through sale of company.
Alaska:			
Alaska Plywood Co., Juneau-----	593, 300	16%	\$360,417 outstanding on June 30, 1957.
Bellingham Canning Co., Yakutat-----	559, 489	-----	Paid in full.
	*240, 510	-----	

The program to dispose of the larger business loans through negotiations was successful in achieving a rapid reduction in the dollar volume of the RFC business loan portfolio. From September 28, 1953, through June 30, 1957, 885 loans amounting to \$125,154,000 were removed from the portfolio as the result of these negotiations, and the proceeds returned to the Treasury much earlier than would have been possible if the loans had been liquidated according to scheduled repayment terms.

Throughout the liquidation program, the Corporation maintained a firm policy in the collection or sale of business loans of requiring

payment at full face value without compromise or discount.

The table below summarizes the results of the program for negotiated disposal of business loans.

	Number	Amount (in thousands)
Sold outright or otherwise refi- nanced-----	421	\$93, 036
Sold subject to deferred partici- pation (repurchase agreement)-----	99	25, 828
Prepaid 6 months or more in ad- vance of maturity-----	365	6, 290
Total-----	885	125, 154

DISPOSAL OF SECURITIES OF BUSINESS ENTERPRISES

On September 28, 1953, there were two instances in which RFC held the securities of business enterprises. In both of these cases—Reynolds Metals Co. and Steep Rock Iron Mines, Ltd.—the securities were disposed of in the market.

The securities of Reynolds Metals Co., which consisted of serial 4 percent mortgage notes due annually to 1967, with a par value of \$20,991,600, were sold in January 1954 to private interests after an exhaustive effort to develop buyer interest and secure the best possible price. The issue was sold for \$20,357,187, representing a price of 95 and accrued interest of \$415,167.

The securities of Steep Rock Iron Mines, a Canadian corporation, with a par value of \$4,300,000, were disposed of to private investors in February 1954 at par plus accrued interest.

LIQUIDATION OF RAILROAD SECURITIES

On September 28, 1953, RFC had, in the portfolio of its lending program, securities and notes of eight railroad companies with a par or stated value of \$88,537,052. In addition, there was one undisbursed commitment for equipment trust certificates in the amount of \$717,000. Included in the total were securities with a par or stated value of \$10,571,000 which had been accepted in reorganization of a company indebted to RFC and which were carried on the Corporation's books at an appraised value of \$5,948,960.

The program for disposal of RFC's railroad obligations included public sale offerings, negotiations with the railroads and private investment institutions, and direct sales in organized markets.

The railroad obligations held by RFC, and the dispositions made of them through June 30, 1957, are shown in the table below:

Railroad securities	Par or principal amount	Disposition
Bonds and stocks:		
Baltimore & Ohio RR.: 4% collateral trust bonds, due Jan. 1, 1965.	\$65, 000, 000	Sold in June 1954 for average price of 95%, plus interest.
Bangor & Aroostook RR.: 4% collateral trust bonds, due July 1, 1961.	1, 675, 000	Retired at par plus interest through refunding.
Central of Georgia Ry.:		
1st mortgage 4% bonds, due Jan. 1, 1995-----	35, 803	
General mortgage 4½% income bonds, due Jan. 1 2020.	55, 346	Mortgage bonds sold for \$64,670; preferred stock still held on June 30, 1957.
Preferred stock (par \$100), 711 shares-----	71, 100	
Erie RR.: Income mortgage 4½% bonds, due Jan. 1, 2015.	¹ 10, 571, 000	Sold for \$7,716,830, slightly above market, in October and November 1953.
Meridian & Bigbee RR.:		
1st mortgage 4% bonds, due Jan. 1, 1961-----	49, 000	
Income mortgage 4% bonds, due Jan. 1, 1998-----	500, 000	
Common stock (no par—stated value, \$73.31 per share), 10,716 shares.	784, 626	Sold for \$950,000 in August 1955.
Equipment trust certificates and notes:		
Georgia & Florida RR. (receiver):		
Equipment trust of 1950, 3% due serially to July 1, 1960.	662, 000	\$302,000 outstanding June 30, 1957.
Equipment trust certificates-----	² 717, 000	\$465,000 outstanding June 30, 1957.
New York, Ontario & Western Ry. (trustee):		
Equipment trust of 1945, 3% due serially to May 1, 1955.	1, 008, 000	\$453,000 outstanding June 30, 1957.
Equipment trust of 1947, 3% due serially to Dec. 1, 1957.	1, 705, 000	\$1,525,000 outstanding June 30, 1957.
Tennessee Central Ry.:		
Equipment trust certificates, 3% series E-----	170, 000	\$58,000 outstanding June 30, 1957.
Equipment trust certificates, 3% series F-----	504, 000	\$182,000 outstanding June 30, 1957.
Promissory notes:		
Tennessee Central Ry., due Oct. 1, 1957-----	100, 118	Repaid.
Tennessee Central Ry., due Apr. 1, 1960-----	5, 306, 102	\$5,181,703 outstanding June 30, 1957.
Receiver's certificates: Georgia & Florida RR., receiver certificates, 4%.	339, 957	\$322,466 outstanding June 30, 1957.

¹ Securities accepted in reorganization—appraised value, \$5,948,960

² Undisbursed commitment on Sept. 28, 1953.

DISPOSAL OF PUBLIC AGENCY SECURITIES

On September 28, 1953, RFC held or was committed to purchase a total of \$66,556,000 in 297 issues of the obligations of political subdivisions of States and Territories.

Efforts to dispose of these holdings were at first concentrated on advertised sale. Sealed bids were invited for 171 lots amounting to \$9,284,000. The offering was announced in financial publications with nationwide circulations and was circularized to more than 1,900 municipal bond dealers, insurance companies, and other potential purchasers. The bids were opened on November 17, 1953, and were far below expectations. Bids were received on only 98 lots, and only those for 39 lots having a par value of \$1,600,700 were acceptable. The amount accepted for these was \$1,492,982, plus accrued interest.

Following the unsatisfactory sealed bid offering, continuing efforts were made to dispose of the remaining securities through negotiated sales. Revised lists of the public agency securities held by RFC were widely circulated to investment dealers and other interested parties. Negotiated sales resulting from this program produced prices greatly in excess of the bids submitted at the sealed bid sale. This program was continued throughout the liquidation period and, up to June 30, 1957, resulted in the disposal of all but 69 issues, which had a carrying value of \$4,636,000. Those which remained were the residue of the more than 6,200 issues purchased by RFC which had a value exceeding \$1,300 million. The marketable quality of those remaining was generally very low and many of them were in default.

Two issues accounted for about three-fourths of the amount outstanding or committed at the start of the liquidation period. The largest of these was \$28,885,000 of 4 percent bonds issued by the City of Cleveland, Ohio, Transit Authority. Sale of this issue was made as the result of intensive negotiations over an extended period of time and, finally, competitive bidding. Since the 4-percent interest rate on these bonds was below the rate carried by other large transit bond issues, it was obvious that the bonds would have to be marketed at a discount. The \$28,426,795 received when the sale was consummated exceeded expectations, representing a

price of 97.6359 and accrued interest of \$224,662.

The other large public agency security issue was \$22,450,000 of bonds of Public Utility District No. 1 of Pend Oreille County, Wash. After completion of the hydroelectric project for which these bonds were issued, the district retired the entire amount at par from the proceeds of a refunding issue.

LIQUIDATION OF SECURITIES OF FINANCIAL INSTITUTIONS

The securities of the 35 financial institutions held by RFC on September 28, 1953, amounted to \$45,490,000 and consisted mainly of the preferred stock and debentures of banks. These remained from the \$3.9 billion invested in approximately 9,000 banks and other financial institutions by RFC during the early years of its existence. The program for liquidation of these holdings was to assist the institutions in obtaining new capital or in the formulation of other plans which would enable them to retire their obligations to the Government. Through June 30, 1957, these efforts resulted in the retirement of all securities of financial institutions, except those of two banks, aggregating \$4,779,000.

DEFENSE PRODUCTION LOANS

Under title III of the Defense Production Act of 1950, the President was empowered to make provision for loans to business enterprises for expansion of capacity, development of technological processes, and the production of essential materials. To carry out the purposes of the act, the President was authorized to utilize such existing agencies of the Government as he deemed appropriate, or to create new agencies. Loans made under the Defense Production Act were financed by borrowings from the Treasury under the authority of section 304 of the act.

By Executive Order 10161, dated September 9, 1950, the President directed that the facilities of the RFC be utilized for the purposes of the Defense Production Act, and the Corporation thereafter served as credit adviser and fiscal agent for the Defense Production Administration in processing loan applications and servicing loans made. The Corporation continued to perform these services under the Defense Production Act until September 28,

1953, when the provisions of section 107 of the RFC Liquidation Act became effective. This section provided that the Defense Production Act lending program be transferred from RFC to an agency to be named by the President. In Executive Order 10489, dated September 26, 1953, the President transferred the program to the Secretary of the Treasury. The Secretary arranged to utilize RFC as his agent for the administration of this program, and this arrangement continued until June 30, 1954. Thereafter, the program was administered by the Secretary of the Treasury through the Defense Lending Division in the Treasury Department.

Although the RFC served only as an agent in the Defense Production Act lending program, the lending policies and procedures established for RFC's own lending program were followed in the making and administration of loans. Later, when the Secretary of the Treasury re-

placed RFC in this program, the activities were administered by the same management which was responsible for the liquidation of RFC. The program and policies followed in the liquidation of RFC's business loans were applied to the Defense Production Act loans, to the end that the Government's investment in such loans be recovered as rapidly as possible.

Through June 30, 1957, a total of 349 loans amounting to \$383,189,421 had been authorized under the authority of the Defense Production Act. Disbursements amounting to \$288,727,552 were made on 261 of these authorizations. Of the total, 340 authorizations amounting to \$352,489,022 were made prior to September 28, 1953, when the program was transferred to the Secretary of the Treasury.

The loans and commitments outstanding on September 28, 1953, and changes to June 30, 1957, are summarized below:

	Dollar amounts in thousands					
	Outstanding Sept. 28, 1953		Changes to June 30, 1957		Outstanding June 30, 1957	
	Number	Amount	Number	Amount	Number	Amount
Loans.....	190	\$132, 599	— 161	+ \$47, 635	29	\$180, 234
Commitments:						
Direct.....	11	136, 212	— 11	— 130, 212	(1)	6, 000
Deferred.....	2	185	+ 7	+ 18, 142	9	18, 327
Total, loans and commitments.....	203	268, 996	— 165	— 64, 435	38	204, 561

¹Partial.

Included in the reductions made in the Defense Production Loan portfolio are 6 loans for \$1,793,000 sold outright, 30 loans for \$22,616,000 sold subject to repurchase agreements, and 19 loans for \$5,592,000 which were paid 6 months or more in advance of maturity from the proceeds of refinancing.

A few very large loans made up the bulk of the amount outstanding on June 30, 1957. These were:

Lone Star Steel Co.	\$37, 000, 000
San Manuel Copper Corp.	70, 751, 638
White Pine Copper Co.	51, 448, 048
Green River Steel Corp.	8, 556, 126

Efforts to secure refinancing of these loans, or otherwise to recover the Government's investment in them, have been continuous. Protracted negotiations to this end have been held with banks, insurance companies, and

private investment houses. Due to conditions in the money market, these efforts have so far been unsuccessful. However, the negotiations are being kept alive; with the outstanding balances reduced by scheduled repayments, with more seasoning, and more private investment funds available, it should be possible in due course to arrange for private refinancing.

CIVIL DEFENSE LOANS

The Federal Civil Defense Act of 1950 (sec. 409) authorized the RFC to make loans for civil defense purposes upon certification by the Federal Civil Defense Administrator. The total amount outstanding at any one time under this authority is limited to \$250 million. Loans made under this authority are financed by borrowings from the Treasury.

In the RFC Liquidation Act (sec. 104) it was directed that all powers, duties, and authority of RFC under the Federal Civil Defense Act be transferred to the Secretary of the Treasury. This transfer became effective September 28, 1953. After the transfer, the program was administered by the same management which was directing the liquidation of RFC and the defense production lending program, and the primary objective was to recover as rapidly as possible the Government's investment in civil defense loans.

Although the Federal Civil Defense Act did not specifically limit the use of the lending authority, all loans authorized were for the construction of hospitals. A total of 10 loans amounting to \$7,918,000 were authorized before the Congress effectively stopped the consideration of applications for new loans by failing to approve a request for a limiting amount on expenditures for administrative purposes during fiscal year 1956. The complete civil defense lending program is summarized in the table below:

	Amount authorized		Amount outstanding June 30, 1957 (Government share)	Disposition
	Government share	Bank share		
North Shore Hospital, Manhasset, N. Y.	\$750, 000	-----	\$450, 000	Direct loan; authorized Mar. 28, 1952; matures Jan. 1, 1963.
Forest Hills Foundation, Forest Hills, N. Y.	1, 000, 000	-----		Direct loan; authorized May 5, 1952; privately refinanced when balance was \$635,000.
North Adams Hospital, North Adams, Mass.	375, 000	-----		Direct loan; authorized Nov. 17, 1952; commitment expired without disbursement.
Guernsey Memorial Hospital, Cambridge, Ohio.	400, 000	-----	335, 904	Direct loan; authorized Jan. 8, 1953; matures Feb. 27, 1973.
Clara Maass Memorial Hospital, Newark, N. J.	750, 000	\$1, 250, 000	750, 000	Originally a direct loan of 2 million authorized Jan. 19, 1953; changed to Government guarantee of \$750,000 in a loan of \$2 million by an insurance company. Total loan undisbursed as of June 30, 1957.
Forrest S. Chilton Memorial Hospital, Pompton Plains, N. J.	443, 000	-----	421, 385	Direct loan; authorized Feb. 16, 1953; matures May 10, 1979.
Pascack Valley Hospital, Westwood, N. J.	540, 000	60, 000	540, 000	Originally a direct loan of \$600,000 authorized Mar. 5, 1953; changed to 90 percent deferred participation.
McLeod Infirmary, Florence, S. C.	315, 000	35, 000	-----	Project not started under this financing; commitment authorized Jan. 25, 1954; expired Apr. 27, 1955.
Englewood Hospital Association, Englewood, N. J.	900, 000	100, 000	546, 795	Deferred participation authorized Apr. 19, 1954.
Beth Israel Hospital Association, Passaic, N. J.	900, 000	100, 000	862, 845	Deferred participation authorized July 2, 1954.

LIQUIDATION OF ASSETS AND LIABILITIES REMAINING FROM WORLD WAR II

Through subsidiary corporations, the Reconstruction Finance Corporation engaged in a wide variety of construction, procurement, and production activities during the national defense, war, and reconversion periods beginning in 1940. Following World War II, it was apparent that the Corporation would be unable to recover from these activities amounts sufficient to retire the borrowings from the Treasury used to finance them. In the Government Cor-

porations Appropriation Act of 1949, the Congress directed the Secretary of the Treasury to cancel the notes of RFC in the amount of \$9,313,736,531, plus interest accrued thereon subsequent to June 30, 1947. This amount represented unrecovered costs to the Corporation as of June 30, 1947, of its national defense, war, and reconversion activities. The Congress further directed that any amounts recovered from the assets of these activities subsequent to June 30, 1947, should be paid into the Treasury as miscellaneous receipts after the deduction of related expenses.

The assets remaining from these programs at the time of the note cancellation consisted primarily of industrial property, plants, equipment, and related facilities which either had been or were expected to be declared surplus. In addition, there were significant amounts represented by inventories of strategic materials, and a variety of loans, advances, receivables, and securities.

Some of the industrial properties held by the Corporation were continued in operation for the account of the Government after the reconversion period. Continued operation of the synthetic-rubber-producing facilities was provided for by the Rubber Act of 1948 and subsequent amendments; the Abaca Production Act of 1950 provided for continuation of Government production of abaca fiber on its Central American plantations; and the joint resolution approved June 28, 1947, provided for

continued production of tin by the Government at the Texas City, Tex., smelter.

Except for the facilities related to the three production programs noted above, the RFC carried on continuously from 1947 a program to dispose of and liquidate the assets and liabilities remaining from its national defense, war, and reconversion activities.

The effective date of the RFC Liquidation Act (September 28, 1953) had no special significance insofar as the production and World War II liquidation programs were concerned. However, in this report, the progress made in the disposal and liquidation of these assets and liabilities is measured from September 28, 1953, since the program was conducted by the management and personnel engaged in the liquidation of RFC's lending program assets. At that time, the RFC was accountable to the Treasury for \$452,168,832 in the net assets of these programs, distributed as follows:

	In millions of dollars				
	Total	Synthetic rubber	Tin	Abaca	Liquidation program
Funds held by RFC.....	126.3				
Cash working funds.....	2.8	2.7	0.1		
Loans, advances, and receivables.....	33.1	21.9	.7	0.1	10.4
Inventories.....	134.1	73.8	58.0	2.3	
Property, plant, and equipment (net).....	180.3	162.9	8.2	7.1	2.1
Other assets.....	6.0	3.1	.9	1.9	.1
Total assets.....	356.3	264.4	67.9	11.4	12.6
Liabilities.....	30.4	22.8	4.4	2.6	.6
Net investment.....	325.9	241.6	63.5	8.8	12.0
Total accountability.....	452.2				

SYNTHETIC RUBBER

Disposal to private industry of the Government's synthetic-rubber-producing facilities was contemplated in the Rubber Act of 1948. This act required the RFC to develop such a program and report to the President and the Congress before March 1, 1953. On April 14, 1953, the President sent a message to the Congress in which he recommended legislation to implement the disposal program presented in the RFC report. This resulted in the Rubber Producing Facilities Disposal Act of 1953, approved August 7, 1953.

The Disposal Act established the Rubber

Producing Facilities Disposal Commission, which was formally organized on November 10, 1953. Through the Commission's efforts, all of the synthetic-rubber-producing facilities were sold to private industry, except an alcohol butadiene plant at Louisville, Ky., which is under lease to a private operator, and a small catalyst manufacturing facility in Baltimore, Md. Full details of the Commission's disposal efforts and their results are contained in the reports made to the Congress by the Commission.

While the Disposal Act was under consideration, the RFC Liquidation Act was adopted,

and section 107 of this act directed that all powers, duties, and authority of the RFC under the Rubber Act of 1948 be transferred from RFC not later than June 30, 1954. By Executive Order 10539, effective June 30, 1954, the synthetic rubber program was transferred from

RFC to Federal Facilities Corporation, organized by the Secretary of the Treasury.

The synthetic rubber program assets and liabilities transferred from RFC to Federal Facilities Corporation on June 30, 1954, were as follows:

Cash.....	\$11, 242, 893
Accounts receivable.....	17, 371, 841
Inventories of synthetic rubber, raw materials, and supplies.....	72, 936, 097
Production facilities.....	\$530, 596, 888
Less depreciation.....	386, 030, 165
	<hr/> 144, 566, 723
Other assets.....	2, 347, 368
	<hr/>
Total assets.....	248, 464, 922
Liabilities.....	15, 190, 484
	<hr/>
Net investment.....	233, 274, 438

Federal Facilities Corporation continued to operate the synthetic rubber plants for the Government's account until they were sold or leased under the program of the Rubber Producing Facilities Disposal Commission.

The proceeds from the program to dispose of the Government's synthetic-rubber-producing facilities were as follows to June 30, 1957:

Sales of fixed assets.....	\$264, 286, 843
Sales of in-process inventories, spare, parts, tools, etc.....	21, 702, 279
	<hr/>
Total.....	285, 989, 122
Less purchase money mortgages outstanding June 30, 1957.....	9, 261, 171
	<hr/>
Cash proceeds realized.....	276, 727, 951

On June 30, 1957, liquidation of the remnants of the synthetic rubber program became the responsibility of the Administrator of General Services, who succeeded the Secretary of the Treasury as the executive head of Federal Facilities Corporation under the provisions of Executive Order 10720.

The principal assets of the synthetic rubber program remaining on June 30, 1957, were \$9,261,171 in purchase-money mortgages and \$5,982,838 in unsold property, plant, and equip-

ment, the bulk of which was the alcohol butadiene plant at Louisville, Ky., under lease to a private operator; the remainder consisted of catalyst manufacturing equipment located in Baltimore, Md.

TIN

Because of the strategic importance of tin metal, operation of the Government-owned tin smelter at Texas City, Tex., was continued following World War II. This smelter was constructed by an RFC subsidiary in 1941-42 as part of the Government tin program undertaken in 1940, and is the only major tin smelter in the Western Hemisphere.

On September 28, 1953, when the RFC Liquidation Act became effective, the net value of the properties, inventories, and other assets making up the tin program was \$63,500,000; of this more than \$58 million was in inventories. Section 107 of the RFC Liquidation Act, approved July 30, 1953, directed that all functions, powers, duties, and authority of RFC relating to the tin program be transferred from RFC. In Executive Order 10539, the President transferred the tin program to the Federal Facilities Corporation. The composition of the Government's investment so transferred was as follows:

Cash.....	\$15,244,231
Receivables.....	1,648,228
Inventories.....	15,119,393
Production facilities.....	\$13,183,989
Accumulated depreciation.....	5,697,841
	<hr/>
Other assets.....	7,486,148
	<hr/>
Total assets.....	39,530,570
Liabilities.....	3,890,268
	<hr/>
Net investment.....	35,640,302

Authority to operate the smelter and carry on the tin program under the joint resolution approved June 28, 1949, extended until June 30, 1956. In Senate Concurrent Resolution 26, 84th Congress, the President was requested to have conducted a study and investigation as to the most feasible methods of maintaining a permanent domestic tin smelting industry and report his recommendations to the Congress before March 31, 1956. As the result of this study, Public Law 608, approved June 22, 1956, provided for operation of the tin smelter until January 31, 1957, and also directed Federal Facilities Corporation to take steps to sell or lease the tin-producing facilities.

After exhaustive negotiations, an agreement for the sale of the smelter was signed on January 3, 1957, with the Wah Chang Corp. The sale price was \$1,350,000, with a 10-percent cash downpayment and the balance in annual installments over a period of 10 years. The purchaser also agreed to make additional payments up to \$2 million contingent upon the volume of tin metal, tin alloys, and tungsten produced.

Effective June 30, 1957, responsibility for liquidating the remnants of the Government's tin program passed from the Secretary of the Treasury to the Administrator of General Serv-

ices in accord with the provisions of Executive Order 10720. At that time, the remaining assets of the tin program consisted primarily of the \$1,215,000 due on the purchase-money mortgage taken in the sale of the smelter.

ABACA

Beginning in 1942, the RFC had engaged in the production of abaca fiber on plantations in Central America. Abaca, or manila hemp, which has strategic uses in rope, twine, and marine cordage, cannot be grown in the continental United States.

The Government plantations were established in Costa Rica, Guatemala, Honduras, and Panama. The Abaca Production Act of 1950 provided for continuation of the program until March 31, 1960, unless earlier termination is directed by the President or the Congress.

In the RFC Liquidation Act, it was provided that the abaca program be transferred from RFC. General Services Administration was named by the President to receive the abaca program in Executive Order 10539, effective June 30, 1954.

The composition of the Government's investment transferred from RFC to General Services Administration by this order was as follows:

Cash.....	\$8,100,000
Receivables.....	348,745
Inventories.....	\$4,388,776
Less valuation reserve.....	1,107,936
	<hr/>
Production facilities.....	12,907,719
Less accumulated depreciation.....	5,804,147
	<hr/>
Other assets.....	7,103,572
	<hr/>
Total assets.....	18,895,615
Liabilities.....	1,530,052
	<hr/>
Net investment.....	17,365,563

OTHER ASSETS REMAINING FROM WORLD WAR II ACTIVITIES

For funds expended under wartime programs other than synthetic rubber, tin, and abaca, the

RFC was accountable for a net investment of \$12,026,878 on September 28, 1953. The composition of that investment and the progress made in liquidation to June 30, 1957, are summarized in the table below:

	Sept. 28, 1953	June 30, 1957
Funds held by RFC.....	(1)	\$7, 558, 005
Working funds.....	\$3, 180	
Loans and securities.....	3, 560, 220	6, 900
Less reserves for losses.....	1, 753, 500	
	1, 806, 720	6, 900
Accounts receivable:		
U. S. Government agencies.....	7, 743, 790	6, 300
Land-grant freight claims.....	2, 066, 456	
Other receivables.....	15, 264, 333	10, 318, 132
	25, 074, 579	10, 324, 432
Less allowance for losses.....	16, 456, 923	5, 537, 464
	8, 617, 656	4, 786, 968
Property, plant, and equipment:		
Under lease.....	6, 653, 186	6, 357, 055
Under use and occupancy permit.....	4, 273, 380	
Held for disposal.....	5, 029, 759	29, 754
	15, 956, 325	6, 386, 809
Less allowance for losses.....	13, 808, 975	5, 059, 525
	2, 147, 350	1, 327, 284
Miscellaneous assets.....	91, 759	1
Total assets, net.....	12, 666, 665	13, 679, 158
Liabilities.....	639, 787	166, 119
Net investment.....	12, 026, 878	13, 513, 039

¹ Funds held by RFC for this program were intermingled with those of other programs on Sept. 28, 1953 and no breakdown is available.

Included in the foregoing table for September 28, 1953, in the category "loans and securities" are \$3 million face amount in the capital stock of the Banco de Borracha (Amazon Credit Bank) and \$498,201 in a loan to the Newfoundland Railway. Under the provisions of Reorganization Plan No. 2 of 1954, both of these were transferred to the Export-Import Bank of Washington for final liquidation.

The accounts receivable from Government agencies on September 28, 1953, included \$7,737,547 due RFC from the Navy Department under a provisional arrangement for the transfer of an aircraft plant. The Navy Department's conditional obligation to RFC was canceled by Public Law 978, approved August 3, 1956.

The amounts due under conditional sale contracts arose primarily from the sale of steel-producing facilities following World War II.

The property shown as under a use and occupancy permit was a magnesium forging plant used by the United States Air Force without rental. This property was transferred to the Air Force without reimbursement in accordance with Public Law 388, approved August 12, 1955.

SMALLER WAR PLANTS CORPORATION

Under Executive Order 9665, dated December 27, 1945, the assets of the Smaller War Plants Corporation were transferred to RFC for collection or disposal. Public Law 132, 80th Congress, directed RFC to continue this liquidation program.

At the time of transfer, the unliquidated assets of the Smaller War Plants Corporation totaled approximately \$40 million, and consisted of loans, leases, industrial plants, and equipment. By September 28, 1953, these had

been reduced to \$2,198,965 and consisted primarily of 21 loans with unpaid balances of \$1,540,071. Liquidation of these remaining assets was continued under the policies and

procedures followed in the liquidation of RFC's program. The liquidation accomplished from September 28, 1953, to June 30, 1957, is summarized in the table below:

	Outstanding Sept. 28, 1953	Outstanding June 30, 1957	Reduction
Loans-----	\$1, 540, 071	\$845, 950	\$694, 121
Notes and accounts receivable-----	218, 139	1, 204	216, 935
Less allowances for losses-----	677, 431	558, 657	118, 774
Property acquired in liquidation of loans-----	1, 080, 779	288, 497	792, 282
Cash-----	440, 755	29, 791	410, 964
	1, 252, 423	261, 254	991, 169
Liabilities-----	2, 773, 957	579, 542	2, 194, 415
	82, 972	1, 716	81, 256
Total-----	2, 690, 985	577, 826	2, 113, 159

PAYMENTS TO TREASURY FROM RFC LIQUIDATION PROCEEDS

There was returned to the United States Treasury from liquidation of the assets held by RFC on September 28, 1953, a total of \$1,033,099,617. In addition, from the proceeds of liquidation, \$10,327,000 was transferred to other Government agencies in connection with the abaca fiber program and synthetic rubber research. The foregoing figures do not include transactions related to the Defense Production Act or civil defense lending programs which were transferred from RFC to the Secretary of the Treasury at the time the RFC liquidation program began.

The composition of the amount returned to the Treasury from the liquidation of RFC is as follows:

Payments in reduction of RFC borrowings from Treasury (net)-----	\$9, 867, 697
Retirement of RFC capital stock-----	65, 000, 000
Payment of earnings and proceeds from liquidation of RFC lending program-----	285, 267, 276
Payment of earnings and proceeds from World War II assets-----	208, 346, 199
Payment of earnings and proceeds from liquidation of synthetic rubber and tin programs—FFC-----	460, 000, 000
Payment of earnings and proceeds from liquidation of assets of Smaller War Plants Corporation-----	2, 075, 000
Increase in amount of cash on deposit with Treasury-----	2, 543, 445
	<u>1, 033, 099, 617</u>

The funds becoming available and used in the liquidation of RFC's assets were as follows:

Realization of loans and investments--	\$507, 470, 637
Realization of World War II assets, other than production programs----	12, 457, 605
Income—lending programs-----	44, 713, 129
Income—World War II assets, other than production programs-----	5, 430, 358
Gross profit on sale of commodities---	245, 525, 977
Recoveries under land grant freight claims-----	5, 434, 894
Sale of production facilities-----	275, 538, 123
Recovery of working capital-----	83, 641, 566
	<u>1, 180, 212, 289</u>
Payments to Treasury (as above)-----	1, 033, 099, 617
Loans disbursed-----	76, 754, 668
Capital expenditures—production programs-----	11, 957, 823
Administrative expenses-----	10, 844, 269
Other expenses-----	37, 228, 912
Cash transferred with abaca program and synthetic rubber research-----	10, 327, 000
	<u>1, 180, 212, 289</u>

THE ABOLITION OF RFC

Under the provisions of Reorganization Plan No. 1 of 1957, the assets held by RFC on June 30, 1957, were transferred for final liquidation to other Government agencies administering similar continuing functions and the Reconstruction Finance Corporation was abolished effective at the close of June 30, 1957.

In general, the transfers made under the plan were as follows:

1. *To Small Business Administration:* Those assets and liabilities relating to business loans with individual balances outstanding of less than \$250,000.

2. *To Housing and Home Finance Agency:* Those assets and liabilities relating to securities issued by and loans made to political subdivisions of States and Territories.

3. *To General Services Administration:* (a) The assets and liabilities remaining from RFC's terminated World War II activities, and (b) the

assets and liabilities remaining in the liquidation of the former Smaller War Plants Corporation.

4. *To the Secretary of the Treasury:* (a) Those assets and liabilities related to business loans and securities with individual balances of \$250,000 or more, (b) all securities of and loans made to railroad companies, and (c) all securities of financial institutions.

The assets and liabilities remaining with RFC on June 30, 1957, and their disposition among other Government agencies are summarized in the following table:

	Total	Transferred to—			
		HHFA	GSA	SBA	Secretary of Treasury
I. Lending program					
Cash.....	\$9,321,528	\$1,505,004	\$9,332	\$2,324,053	\$5,483,139
Escrow funds.....	1,228,102	1,228,102			
Business loans.....	51,499,370			14,612,019	36,887,351
Railroad loans and securities.....	8,567,094				8,567,094
Public agency securities.....	4,635,591	4,635,591			
Financial institutions securities.....	4,779,000				4,779,000
Acquired collateral.....	1,732,744	492		1,695,258	36,994
Other receivables.....	2,581,350	1,399,367		594,144	587,839
Less reserves.....	15,200,000	2,872,785		1,984,971	10,342,244
Total.....	69,144,779	5,895,771	9,332	17,240,503	45,999,173
Liabilities.....	400,714	5,004	9,332	145,897	240,481
Equity of U. S. Government.....	68,744,065	5,890,767		17,094,606	45,758,692
II. World War II activities					
Cash.....	7,558,005		7,558,005		
Receivables.....	4,793,870		4,793,870		
Property (net).....	1,327,283		1,327,283		
Total.....	13,679,158		13,679,158		
Liabilities.....	166,119		166,119		
Equity of U. S. Government.....	13,513,039		13,513,039		
III. Smaller War Plants Corporation					
Cash.....	261,254		261,254		
Receivables.....	879		879		
Loans.....	845,950		845,950		
Acquired collateral.....	29,791		29,791		
Less reserves.....	558,332		558,332		
Total.....	579,542		579,542		
Liabilities.....	1,716		1,716		
Equity of U. S. Government.....	577,826		577,826		

BALANCE SHEET—LENDING PROGRAMS, JUNE 30, 1957

Assets

Loans, securities and related receivables:		
Business loans.....	\$51, 499, 370	
Railroads.....	8, 567, 094	
Financial institutions.....	4, 779, 000	
Public agencies.....	4, 635, 591	
Total loans and securities.....	69, 481, 055	
Accrued interest and dividends.....	2, 278, 139	
Other related receivables.....	268, 650	
Total.....	72, 027, 844	
Reserve for losses.....	15, 200, 000	
		\$56, 827, 844
Other assets:		
Assets acquired in liquidation of loans and securities—at lower of cost or appraised value.....	1, 732, 744	
Escrow funds.....	1, 228, 102	
Miscellaneous accounts and notes receivable.....	34, 561	
		2, 995, 407
Cash.....		17, 140, 787
Total.....		76, 964, 038

Liabilities

Liabilities under lending programs:		
Accounts payable.....	\$91, 319	
Trust and deposit accounts.....	128, 244	
		219, 563
Reserve for employees' annual leave.....		181, 151
Equity of U. S. Government:		
Funds held for terminated World War II programs.....	7, 819, 259	
Capital stock.....	35, 000, 000	
Surplus.....	33, 744, 065	
		76, 563, 324
Total.....		76, 964, 038

STATEMENT OF NET INCOME FROM LENDING ACTIVITIES, FISCAL YEAR ENDED JUNE 30, 1957

Income:		
Interest and dividends earned on loans, securities, etc.....	\$3, 644, 286	
Other income.....	292, 790	
		\$3, 937, 076
Expenses:		
Administrative expenses.....	1, 008, 038	
Other expenses.....	120, 351	
		1, 128, 389
Net income.....		2, 808, 687

Analysis of surplus

Balance, June 30, 1956.....	\$26, 193, 788
Income for fiscal year 1957, as shown above.....	2, 808, 687
Adjustments applicable to prior fiscal years:	
For reduction in reserve for losses on loans, securities, etc.....	5, 198, 634
For annual leave of employees.....	75, 433
Other.....	446, 780
Total.....	34, 723, 322
Less payment to U. S. Treasury.....	979, 257
Balance June 30, 1957.....	33, 744, 065

BORROWERS WITH ACTUAL OR POTENTIAL LIABILITY OF \$100,000 OR MORE AT JUNE 30, 1957

BUSINESS LOANS

RFC portfolio

	<i>RFC amount</i>
Arkansas: Jack Tar of Arkansas, Inc., Hot Springs.....	\$365, 000
California:	
California Art Tile Corp., Richmond.....	112, 837
Hovden Food Products Corp., Monterey.....	139, 896
Langley Corp., San Diego.....	340, 130
Oriental Foods, Inc., Los Angeles.....	154, 353
Colorado: Landers Packing Co., Denver.....	250, 678
Connecticut:	
Horle Arms Co., Deep River.....	102, 253
New Haven Clock & Watch Co., New Haven.....	924, 169
Delaware: Price, W. W., Co., Inc., Smyrna.....	104, 500
District of Columbia: Gospel Spreading Association building fund, Washington.....	277, 919
Illinois:	
Galesburg Soy Products Co., Galesburg.....	188, 000
Mosow Screw Co., Waukegan.....	231, 900
South Water Building Corp., Rockford.....	453, 138
South Water Machinery Corp., Rockford.....	990, 548
Indiana: Stadler Packing Co., Inc., Columbus.....	118, 099
Massachusetts:	
Hayward Woolen Co., Whittinsville.....	423, 967
Waltham Watch Co., Waltham.....	1, 013, 205
Michigan:	
Detroit Steel Corp., Detroit (preferred stock).....	3, 000, 000
Hammond Standish & Co., Detroit.....	134, 181
Nevada: Copper Canyon Mining Co., Battle Mountain.....	117, 105
New Jersey:	
National Tool & Manufacturing Co., Kenilworth.....	115, 500
Seaboard Refractories Co., Perth Amboy.....	182, 633
New York:	
Deep Water Terminals, Inc., Brooklyn.....	427, 500
Meyerstein, Anthony M., Inc., Brooklyn.....	132, 577
Soya Corporation of America, New York.....	126, 120
Ohio: Braun Bros. Packing Co., Troy.....	352, 508
Oklahoma: Community Hotel Co., Norman.....	235, 730
Oregon: Oregon Fibre Products, Inc., Pilot Rock.....	2, 830, 000
Texas:	
Borger Hotel Corp., Borger.....	222, 713
Civic Hotel Corp., Odessa.....	275, 000
Lone Star Steel Co., Dallas.....	15, 962, 994
(Borrower has additional loan of \$37 million (with deferred interest of \$3,332,819) approved under sec. 302, Defense Production Act.)	
Texas Frozen Foods Corp., Harlingen.....	545, 355
(Also deferred interest, \$25,000.)	
Texas Consolidated Oils, Dallas.....	7, 305, 885
(Also undisbursed commitment, \$692,787.)	
Washington:	
Arlington Lumber & Plywood Co., Arlington.....	128, 413
Bolinger Orchards, Methow.....	49, 587
(Participation purchased, gross, \$110,193.)	
Seidelhuber Steel Rolling Mills, Inc., Seattle.....	686, 679
Alaska:	
Alaska Plywood Co., Juneau.....	360, 417
Matanuska Valley Lines, Inc., Anchorage.....	118, 880

*Loans in RFC loan pool**

	<i>Unpaid loan balance</i>
Kentucky: Modern Welding Co., Inc., Owensboro.....	\$140, 025
Massachusetts:	
Eastern Container Corp., Springfield.....	109, 736
Phaneuf Hospital, Inc., Brockton.....	127, 507
Michigan: Stainless Ware Company of America, Walled Lake.....	122, 059
Missouri: Binkley Manufacturing Co., Warrenton.....	124, 750
North Carolina: Kalmia Dairy, Inc., Hendersonville.....	138, 274
Ohio: Imperial Glass Corp., Bellaire.....	117, 359
Pennsylvania: Reichard Coulston, Inc., Bethlehem.....	192, 447
Wisconsin: Menominee Sugar Co., Green Bay.....	120, 000

Loans sold subject to deferred participation

	<i>RFC amount</i>
Arkansas: Owosso Manufacturing Co., Benton.....	\$201, 490
California: Hal Roach Studios, Inc., Culver City.....	649, 188
Kentucky: Louisville Builders Supply Co., Louisville.....	251, 131
Missouri: Chromcraft Corp., St. Louis.....	486, 761
New York: The Virgin Isle Hotel, Inc., New York.....	154, 800
Oklahoma: Lawton Community Hotel, Inc., Lawton.....	524, 775
Pennsylvania:	
Butcher & Hart Manufacturing Co., Altoona.....	152, 711
France Packing Co., Philadelphia.....	140, 201
Tennessee: Wheland Co., Chattanooga.....	2, 418, 300
Washington, D. C.: YMCA of the City of Washington.....	151, 122

RAILROADS

Georgia: Georgia & Florida R.R. Co., Augusta.....	1, 089, 465
New York: New York, Ontario & Western Ry. Co., New York.....	1, 978, 000
Tennessee: Tennessee Central Ry. Co., Nashville.....	5, 421, 703
(Borrower has additional loan of \$1,648,909 approved under sec. 302, Defense Production Act.)	

PUBLIC AGENCIES

Alabama: Cherokee, Town of, Cherokee.....	128, 750
Illinois: Chicago Board of Education, Chicago.....	26, 644
(Par value, \$177,628.)	
Robbins Village of Cook County, Robbins.....	1, 125, 000
Kentucky: Middlesboro, City of, Middlesboro.....	180, 900
Montana: Billings Bench Water Association, Billings.....	116, 000
Nebraska: North Loup River Public Power & Irrigation District, Ord.....	176, 400
North Carolina: Kure Beach, Town of, Kure Beach.....	246, 000
Texas: Galveston, City of, Galveston.....	1, 100, 000

FINANCIAL INSTITUTIONS

New Jersey: Commonwealth Trust Co., Union City.....	1, 779, 000
Vermont: Vermont Savings Bank, Brattleboro.....	3, 000, 000

SMALLER WAR PLANTS CORPORATION

Mississippi: Standard Millwork & Supply Co., Jackson.....	108, 835
Montana: Jardine Mining Co., Jardine.....	558, 332
Pennsylvania: McGann Manufacturing Co., Inc., York.....	121, 897