

DOCUMENT RESUME

04803 - [ B0195086 ]

Implementation of the Emergency Loan Guarantee Act. PSAD-78-66; B-169300. January 18, 1978. 2 pp.

Report to the Congress; by Elmer B. Staats, Comptroller General.

Contact: Procurement and Systems Acquisition Div.


Budget Function: National Defense: Department of Defense - Procurement & Contracts (058).

Organization Concerned: Emergency Loan Guarantee Board; Lockheed Aircraft Corp., Burbank, CA.

Congressional Relevance: House Committee on Banking, Finance and Urban Affairs; Senate Committee on Banking, Housing and Urban Affairs; Congress.

Authority: Emergency Loan Guarantee Act of 1971 (15 U.S.C. 1841).

Lockheed Aircraft Corporation was the only business to apply for a guaranteed loan under the Emergency Loan Guarantee Act of 1971. After the Government's guarantee commitment was scheduled to terminate, Lockheed and its lending banks voluntarily terminated instead of renewing the commitment. On October 14, 1977, Lockheed and its 24 lending banks entered into a credit agreement, providing for a \$100 million revolving line of credit, to replace the Government-guarantee commitment; this was used to retire \$60 million worth of notes. The Emergency Loan Guarantee Board approved the new credit agreement on October 14, 1977, through a termination agreement which provides that: the obligation and rights of the Government under the guarantee agreement unconditionally and finally terminate; the Government unconditionally release its interests in all collateral; and Lockheed and each member of the banking consortium: (1) unconditionally release the Government from all liability and claims arising from the agreement and (2) agree to indemnify and hold the Government harmless against all such liability and claims. The Board ceased operation upon submission of its final report on administration of the act. Guarantee and commitment fees paid the Board totaled \$26,503,683; cumulative interest earned on funds invested in U.S. Government securities amounted to \$4,906,143; and operating expenses amounted to \$938,094. Net earnings will be transferred to the Treasury. (Author/HTW)

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-169300

JAN 18 1978

To the President of the Senate and the  
Speaker of the House of Representatives

This is our sixth and final report on loan activities of the Lockheed Aircraft Corporation, Burbank, California, the only business to apply for a guaranteed loan under the Emergency Loan Guarantee Act of 1971 (15 U.S.C. 1841, supp. I, 1971). Since September 1971 we have reviewed and reported to the Congress on Lockheed's ability to repay Government-guaranteed loans. The audits involved continuous surveillance of Lockheed's ability to liquidate the loan within the maximum period prescribed in the legislation.

The law established the Emergency Loan Guarantee Board to administer Government-guaranteed loans in amounts up to, but not exceeding, \$250 million. In September 1974, Lockheed's borrowings reached a maximum of \$245 million. The Government's guarantee commitment, scheduled to terminate on December 31, 1977, could have been renewed for an additional year; however, voluntary action by Lockheed and its lending banks resulted in termination of the guarantee commitment.

On October 14, 1977, Lockheed and its 24 lending banks entered into a credit agreement, providing for a \$100 million revolving line of credit, to replace the Government-guarantee commitment. The revolving line of credit was used to retire Government-guaranteed notes which, at the date of the new credit agreement, amounted to \$60 million.

The Emergency Loan Guarantee Board approved the new credit agreement on October 14, 1977, through a termination agreement which provides that:

- The obligation and rights of the Government under the guarantee agreement shall unconditionally and finally terminate.
- The Government unconditionally release its interests in all collateral.

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--Lockheed and each member of the banking consortium (1) unconditionally releases the Government from all liability, claims, and demands arising directly or indirectly from the guarantee agreement and (2) agrees to indemnify and hold the Government harmless against all such liability, claims, and demands.

The Board ceases operation upon submission of its final report on the administration of the Emergency Loan Guarantee Act to the Congress. Guarantee and commitment fees paid the Board from inception to September 30, 1977, totaled \$26,503,683. Cumulative interest earned on funds invested in U.S. Government securities amounted to \$4,906,143, and operating expenses from administering the act amounted to \$938,094. Net earnings of \$30,471,732 will be transferred to the Treasury, to be used as general funds.

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We are sending copies of this report to the Acting Director, Office of Management and Budget, and to the Chairman, Emergency Loan Guarantee Board.



Comptroller General  
of the United States