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## Department of Justice

DEPARTMENT OF JUSTICE

September 28, 1939

Attorney General Frank Murphy today accepted, subject to conditions of reorganization, a plan to settle Government and other claims that will permit reopening of the William Cramp & Sons Ship and Engine Building Company of Philadelphia. The settlement rests on the reorganized company becoming a growing concern.

During the World War the Navy Department advanced funds to Cramps to enlarge the shipyards plant and provide additional facilities in the construction of vessels and equipment urgently needed. It was one of the largest shipbuilding concerns in the country.

The announcement set forth the fact that a claim filed by the Navy Department totaling \$1,097,413.22 would be compromised with a payment of \$100,000. The Navy Department advanced Cramps moneys to extend its facilities, which included office buildings, ship ways, a pier, tools on equipment, etc. Later these were purchased by Cramps and notes were given secured by a lien on the properties and equipment involved. An investigation disclosed that there is no substantial value to the lien rights as the cost of removal of the buildings and the piers would have little, if any, salvage value. It was also stated that movable property has little value.

By the last statement of Cramps, the total assets were set at \$7,975,225, of which \$7,578,548 are classed as fixed assets which represent the value of the shipyard, plant and equipment. Liabilities having priority over the Navy claim are taxes due to the City of

Philadelphia in the sum of \$1,229,608; and first mortgage bonds of \$600,000 with accrued interest of \$421,500, totaling \$1,021,500. General mortgage bonds with accrued interest totaled \$4,156,110. Ground rent on interest total \$4,087.63. The majority of the mortgage bonds are held by the Harriman interests which own the majority of Cramps' capital stock. As the balance sheet shows a deficit of \$1,384,000, little if any dividend would be payable to the Government in view of prior lien obligations if the company were liquidated.

A general plan of reorganization proposes that the City of Philadelphia accept \$100,000 in full settlement of all tax claims, prior to the current year; that the Government accept \$100,000 in cash; that holders of first mortgage and general mortgage bonds and creditors accept stock; and that satisfactory evidence that a reorganization will place the Cramp company in a financial position sufficiently sound to warrant the conclusion that it will become a growing concern.

The Navy Department recommended the acceptance of the offer placing particular emphasis on the request for satisfactory evidence that the new Cramp company would be "a growing concern".