TO: Director, FBI

FROM: SAC, Washington Field

SUBJECT:

[redacted]

ATTENTION: FBI LABORATORY

Being forwarded to the Laboratory is a photographic copy of a document in the possession of the subject of this case, this document being a certificate of satisfactory service made out to Ensign [redacted] and signed for the present by JAMES FORRESTAL, Secretary of the Navy.

[redacted]

It is believed possible that the signature of JAMES FORRESTAL has been forged to this instrument, and the Washington Field Office has been requested to furnish the Laboratory with specimens of the handwriting of persons authorized to sign JAMES FORRESTAL'S signature on these certificates of satisfactory service.

It is requested that the signatures of authorized signers of Mr. FORRESTAL'S name be compared with the signature appearing on the above certificate of satisfactory service in an effort to establish the validity of this document.

SAC:EAB
43-1986
encl.

RECORDED - 40

FEB 18 1946

REPORT

TO:

FROM: FBI LABORATORY

FEDERAL BUREAU OF INVESTIGATION, February 14, 1946

WASHINGTON, D. C.

SAC, Los Angeles

There follows the report of the FBI Laboratory on the examination of specimen received from you on February 13, 1946.

b6
b7C

[redacted] with alias

[redacted]

Re:

Los Angeles

Letter February 13, 1946

YOUR FILE NO.
FBI FILE NO.
LAB. NO.

Document

Examination requested by:

Reference: Photographic copy of a Certificate of Satisfactory Service each cut to Cpl. [redacted] and signed by JAMES Forrestal, Secretary of Navy.

Examination requested:

RESULTS OF EXAMINATION:

Specimens

As soon as the known handwriting specimens are received from the Washington Division the requested examination will be made and you will be advised. Inasmuch as there is a possible forgery involved it would be better if the original of Specimen Q1 was available, and there is a possibility the original may be necessary for a positive conclusion to be reached.

Specimen Q1 is retained in the files of the laboratory.

2-Los Angeles
2-Washington
1-Miscellaneous

CLASSIFICATION SECTION
MAILED 12
FEB 20 1946
FBI

FBI

LABORATORY

FEDERAL BUREAU OF INVESTIGATION March 5, 1948

WASHINGTON 25, D. C.

SAC, Los Angeles

There follows the report of the FBI Laboratory on the examination requested in your letter dated February 20, 1948.

b6
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[redacted] with alias [redacted]

John Edgar Hoover, Director

43-1966
43-[illegible]47
D-77736 DC

Re: Los Angeles
Letter February 20, 1948
Document

YOUR FILE NO.
FBI FILE NO.
LAB. NO.

Examination requested by:

Request: that the James Forrestal signature appearing on Q61 be compared with specimens of the handwriting of persons authorized to sign James Forrestal's [illegible] Certificates of Satisfactory Service.

RESULTS OF EXAMINATION:

Various signatures of James Forrestal appearing as known handwriting and also as writing prepared by a mechanical signature writer have been compared with the questioned James Forrestal signature on Q61. A definite conclusion could not be reached because the photostatic copy of the original evidence is not sufficiently clear for an examination and comparison with known specimens with the thought of reaching a definite conclusion. However there were noted characteristics appearing in the Forrestal signature on Q61 that were similar to characteristics appearing in a signature which had been made by a mechanical signature writer of the United States Navy Department.

For your information [redacted] was identical with [redacted] appearing on an enlisted fingerprint card of the Navy bearing number [redacted]. He enlisted [redacted] was discharged [redacted] to accept an officer's commission on [redacted] and was examined the officer's [redacted] Navy files reflect that he was not [redacted] again [redacted] was assigned the number [redacted]

[redacted]

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[redacted]

b6
b7C

[redacted]

b6
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[redacted]

b6
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[redacted]

[redacted]

[redacted]

FEDERAL BUREAU OF INVESTIGATION

THIS CASE ORIGINATED AT: LOS ANGELES — FILE NO.

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY	CHARACTER OF CASE
Washington, D. C.	8/15/46	6/1,2/46	CLYDE HOLMES, SAC	[redacted]

TITLE: [redacted]

SYNOPSIS OF FACTS:

[redacted] by JAMES FORRESTAL, for the President.

[redacted] by the Secretary of the Navy.

- RUC -

REFERENCE: Report of SA DWAYNE L. ESKRIDGE, Los Angeles, 8/23/46.

G. I. R. -10

DETAILS:

[redacted]

APPROVED AND FORWARDED:	SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES
		43 - 41207-19

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12 JUL 1 1948

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[redacted]

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[redacted] b6
b7C

- RETURN UPON COMPLETION TO THE OFFICE OF ORIGIN -

SAC, Washington, D. C. April 29, 1947

Director, FBI

RECORDED 46-13576-1

The C. E. Hanson Company, a corporation, vs.
James V. Forrestal, Secretary of the Navy
and also as Acting Secretary of the Navy,
Navy Price Adjustment Board, and W. John Kennedy,
Chairman, Navy Price Adjustment Board;
Tax Court Docket No. 98-R,
RENEGOTIATION ACT.

Attached are two copies of a memorandum dated April 23, 1947 from Mr. John F. Sonnett, Assistant Attorney General, and the enclosures indicated therein. You are requested to perform the investigation outlined, as the availability of personnel will permit, and to return the enclosures personally to [redacted], Room 3616 Department of Justice, upon the completion of the preliminary audit. b6 b7C

A copy of the Claims Division memorandum is designated for the attention of the Chicago Office, it being noted that the address of the C. E. Hanson Company is 303-305 West Erie Street, Chicago, Illinois. No investigation will be conducted by the Chicago Office until a report is submitted by the Washington Field Office and a subsequent memorandum is received from the Claims Division.

Enclosure

cc - Chicago (with enclosure).

COMMUNICATIONS SECTION
MAILED 10
APR 29 1947 P.M.
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

60 MAY 8 1947

UNITED STATES
DEPARTMENT OF JUSTICE
WASHINGTON 25, D. C.

FFS:RTB
Tax Court No. 98-R

April 23, 1947

MEMORANDUM FOR MR. J. EDGAR HOOVER
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

Re: The C. H. Hanson Company, a corporation, v. James V. Forrestal, Secretary of the Navy and also as Acting Secretary of the Navy, Navy Price Adjustment Board, and W. John Kennedy, Chairman, Navy Price Adjustment Board; Tax Court Docket No. 98-R.

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In the above-entitled case the petitioner seeks a redetermination of its excessive profits for its fiscal year ended December 31, 1942. Its position is that the determination of the Navy Price Adjustment Board was too high. The Government's position, on the other hand, is that the petitioner's excessive profits were not less than has been found by the Board. If the facts warrant it we shall urge the Tax Court to find that petitioner's excessive profits were greater in amount than is shown by the present determination.

We have obtained from the Navy Price Adjustment Board its files relative to the proceeding had before it with respect to the petitioner's fiscal year ended December 31, 1942. These files are being transmitted herewith. We are also transmitting copies of the petition, amendment to petition and answer filed in this case.

There are also transmitted herewith certified photostatic copies of corporation income and excess profits tax returns, with attached schedules, for the years 1936 to 1943, inclusive.

1 ENCL.

In our opinion it is important that we have this material analyzed by an accountant before any examination is made of the petitioner's books and records. Accordingly it is requested that you have an accountant of your local Washington field office examine and analyze the data transmitted herewith and submit his report, including therein the following:

1. A summary of petitioner's income, costs, profits and net worth for its fiscal year ended December 31, 1942, divided between renegotiable business and nonrenegotiable business as claimed by the petitioner.

2. An analysis of the theories used by the petitioner in allocating costs between renegotiable and nonrenegotiable business, in allocating its total business between that which is renegotiable and that which is not, in amortizing equipment, in setting up reserves, etc.

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MAY 3 1947

3. The applicability of alternative accounting theories to the petitioner's business. We of course are particularly interested in those theories the application of which shows smaller total expenses and greater net income for renegotiable business.

4. An analysis of petitioner's income, costs, profits and net worth for its fiscal year 1942, divided between renegotiable and nonrenegotiable business as worked out by the Navy Price Adjustment Board.

5. An analysis of the theories used by the Navy Price Adjustment Board in arriving at the petitioner's income, costs, profits and net worth for its fiscal year 1942 and dividing each between renegotiable and nonrenegotiable business.

6. A discussion of apparent discrepancies, if any, between the data submitted by petitioner and the pertinent income tax returns filed by it.

7. A summary of the petitioner's profit and loss for each of its fiscal years prior to the one involved in this suit, beginning with 1936. The petitioner's average profit and loss for these years should be worked out with a subtotal for the years 1936 to 1939, inclusive.

8. Suggestions as to what information might be available in petitioner's books and records which could be obtained by an accounting examination of them and which possibly would have a bearing on the question of the amount of petitioner's excessive profits for its fiscal year 1942 under the provisions of the Renegotiation Act as amended.

[redacted] (Room 3616, Department of Justice) is in charge of this case for the Government. He will be available for any conferences desired by your accountant to the end that the requested report, when submitted, will enable us intelligently to outline the nature and scope of the examination we expect to have made in due course of the petitioner's books and records.

b6
b7C

John F. Sonnett

JOHN F. SONNETT,
Assistant Attorney General.

Attachments.

cc: [redacted] b6 b7C

SAC, Washington Field

November 4, 1947

Director, FBI

The C. H. Hansen Company, a corporation, vs.
James V. Forrestal, Secretary of the Navy
and also as Acting Secretary of the Navy,
Navy Price Adjustment Board, and W. John Kennedy,
Chairman, Navy Price Adjustment Board;
Tax Court Docket No. 93-R.
RENEGOTIATION ACT.

Rebulet 4/29/47.

Please expedite the submission of a report.

NRS:DPF

RECORDED 1: 46-13576-2
F B I
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b6 b7C

COMMUNICATIONS SECTION
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FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE

55 NOV 14 1947 263

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C. FILE NO. 46-1692

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
WASHINGTON, D. C.	11/26/47	11/4,6-8-12-14, 15/47	(A) dnh

TITLE: THE C. H. HANSON COMPANY, a Corporation, vs JAMES V. FORRESTAL, Secretary of the Navy and also as Acting Secretary of the Navy, NAVY PRICE ADJUSTMENT BOARD, & W. JOHN KENNEDY, Chairman, Navy Price Adjustment Board; Tax Court Docket No. 98-R

CHARACTER OF CASE: RENEGOTIATION ACT

SYNOPSIS OF FACTS:

ACCOUNTING REPORT

NO STATISTICS DEC 10 11 12 AM '47

Navy Price Adjustment Board determined that C. H. HANSON COMPANY derived $260,000 excessive profits for 1942 arising out of sales directly and indirectly to the government for war end use. This amount less applicable federal income tax credit of $208,000 leaves $52,000 net refund due. Renegotiable profit of $298,751.79 was 49.42% of renegotiable sales. Elimination of excessive profit reduced this to 11.25% of adjusted renegotiable sales as compared with .83% or less than 1% for "base period." Company's earned surplus increased $6540.60 from 1936 to 1940 and during 1941 and 1942 increased $120,934.58. Aggregate cash dividends of $32,000 paid in later two years and officers' salaries were substantially increased. Company paid refund of $52,000 but disagreed with the determination and filed petition in Tax Court of United States, dated October 31, 1944, Docket No. 98-R. The petition alleges general points of error and raises no specific contentions as to renegotiable data used in the determination. Files of PEA reviewed and pertinent schedules set out.

-P-

REFERENCE: Bureau letter dated April 29, 1947

DEFENSE INVESTIGATIVE SECTION

APPROVED AND FORWARDED: SPECIAL AGENT IN CHARGE

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2-Chicago (Info.)
2-Washington Field (Info.)

EX-33

DEC 1 1947

WFO 43-1692

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WFO 46-1692

DETAILS:

AT WASHINGTON, D. C.

I. PREDICATION

Investigation in this case was commenced as a result of the Bureau letter to this office, dated April 29, 1947, which enclosed copies of a memorandum from JOHN F. SONNETT, Assistant Attorney General, dated April 23, 1947. There were forwarded with this memorandum a copy of a petition filed by the C. H. HANSON COMPANY with the Tax Court of the United States on October 31, 1944, the renegotiation file of the Price Adjustment Board of the Navy Department and certified photostatic copies of income tax returns of the petitioner for the years 1936 through 1942, inclusive. The memorandum requested the data submitted pertaining to the year ending December 31, 1942, be analyzed to facilitate an examination of the petitioner's books and records. The memorandum outlined the type of investigation required; however, will not be set forth in this report as a copy of the memorandum has been forwarded to the Chicago Division of this Bureau where the HANSON COMPANY is located. This report will cover the investigation as outlined.

II. HISTORY OF COMPANY

This company was established in 1866 as a sole proprietorship and was incorporated in the state of Illinois in July 1913. The company's regular business consists of the manufacture of a wide range of marking devices, such as stencils, steel stamps and dies, instruction and identification plates and tags, stars and badges, rubber stamps, stencil ink and paste, trade checks, license plates and similar products. The management of the company is in the hands of HENRY J. & CHARLES H. HANSON, sons of the founder. These two persons occupy the positions of president and treasurer respectively and each holds 347-3/5 shares of stock. The total stock issue is 2000 shares. HENRY C. HAND and EDWARD C. HAND are sons of the founder's associate and occupy the positions of secretary and assistant secretary respectively. The [redacted] owns 225 shares of stock and [redacted] own 297-3/5 shares, 347-3/5 shares and 337-3/5 shares of stock respectively. b6 b7C

The company's principal contribution to the war effort was the successful development of a machine process for the engraving of nickel silver drums for Navy gun mounts manufactured by Miehle Printing Press and Manufacturing Company. The company also did steel lettering and furnished stencil sets for the Jeffersonville Quartermaster Depot in Indiana. The service as a subcontractor to Miehle and to the depot consisted of a majority of renegotiable sales performed by the company for the fiscal year ending December 31, 1942.

The company employees approximately 150 skilled technicians, such as engravers, artists and designers. It occupies approximately 7000 square feet of factory space which is located at 303 West Erie Street, Chicago, Ill.

RFD 46-1692

III. HISTORY OF RENEGOTIATION

On July 31, 1943, the C. H. HANSON company submitted Standard Form of Contractors Report to Major [redacted], Army of the United States, [redacted] Departmental Price Adjustment Board, P.O. Box 2707, Washington, D.C., in answer to a letter of preliminary inquiry dated July 8, 1943. This report, dated July 31, 1943, showed sales subject to renegotiation of $678,993.53, and sales not subject to renegotiation of $590,190.37, and total sales for the year ending December 31, 1942 as $1,269,183.90. The report was signed by C. H. HANSON as treasurer. It is to be noted that the allocation of sales as set forth in this report is only an estimate prepared by the company and at a later date a complete analysis was made by the company for sales both as to renegotiable and non-renegotiable character, and an analysis of manufacturing costs and expenses was also submitted. b6 b7C

The company was advised by letter, dated August 10, 1943, from [redacted] Departmental Price Adjustment Boards, that based on information submitted further consideration as to the renegotiation of the company's contacts was being referred to the Navy Department. On August 21, 1943, the Navy Department accepted assignments from the joint boards in accordance with assignment notice, dated August 9, 1943. b6 b7C

On September 13, 1943, by letter from [redacted], Lieutenant, USNR, secretary, Price Adjustment Board, Washington, D.C. to [redacted] Regional Price Adjustment Board, Navy Department, 100 West Monroe Street, Chicago, Illinois, the renegotiation of the company was forwarded to the regional office in view of the location of the petitioner's place of business. b6 b7C

On September 30, 1943, the chairman of the Regional Price Adjustment Board, requested the HANSON COMPANY to furnish the Navy Department statements of actual costs of production under its contracts and subcontracts to which the provisions of Section 403 of the 6th Supplemental National Defense Appropriation Act applied. On March 3, 1944, a meeting was held by the Regional Price Adjustment Board and the company. Present at this meeting for the Price Adjustment Board was [redacted] and [redacted] of the board, and Lieutenants (j.g.) [redacted] and [redacted]. Representing the company were HENRY J. HANSON, President, [redacted] and [redacted] and [redacted]. Minutes of this meeting disclosed that there was discussed the type of work performed by the company toward war end use and particularly the work performed for the Miehle Printing Press and Manufacturing Company of Chicago, mentioning the latter company as holding a prime contract with the Navy. There was also discussed the savings to the b6 b7C

government in connection with this subcontract work, the history of the company in so far as earnings were concerned, the manner of segregation of renegotiable and non-renegotiable sales, and the allocation of costs in determining renegotiable profit. It is to be noted that this meeting was held after the Regional Price Adjustment Board had been furnished with all financial data which was used both by the government and by the petitioner for determining renegotiable profits.

In a subsequent section in this report there will be discussed the manner of segregation of sales, as well as the allocation of costs, that was used. In support of this exhibits and schedules have been prepared.

The board recommended after reviewing the figures submitted and hearing the petitioner's explanations that an excessive profit of $260,000 was realized and recommended a refund of this amount after taking proper amount of credit for federal income and excessive profit taxes.

A second meeting was held by the representatives of the company and representatives of the Regional Price Adjustment Board on March 16, 1944, whereby the company disagreed with the manner of computing excessive profits which will be subsequently explained. As a result of this meeting the board agreed that the excessive profit of $260,000 should be refunded after proper credits; however, the company was advised that a hearing should be arranged with the Washington, D.C., Price Adjustment Board to determine if their findings would be the same as the regional board findings.

By memorandum dated March 23, 1944, the chairman of the Chicago board forwarded to the Secretary of the Navy Price Adjustment Board the entire 1942 file of the company and on April 24, 1944, a meeting with the Price Adjustment Board of the Navy Department was held. Present at this meeting for the company were HENRY [redacted]. HANSON, president, [redacted], and [redacted] and [redacted], [redacted]. This meeting in Washington constituted a new hearing on the entire matter and at this meeting [redacted] stated the company was not raising any issue with respect to the figures upon which the regional board made its determination but the issue was only in respect to the determination itself. As a result of this meeting, the board unanimously agreed that the company had realized $260,000 excessive profits and proposed a refund of that amount less credit for federal taxes paid.

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The company by letter dated May 5, 1944, to the Navy Price Adjustment Board, 718 18th Street, NW, Washington, D.C., advised that it was declining to concede that the sum of $260,000 represented excessive profit.

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On May 17, 1944, a letter was directed to the company from [redacted] of the Navy Price Adjustment Board, Washington, D.C., advising that it had been recommended that an issuance of a unilateral determination determining that excessive profits of $260,000 had been realized and offered the company opportunity to present any additional consideration that would assist their case. b6 b7C

A second meeting was held in Washington, D.C. on June 20, 1944, for further consideration of the matter. [redacted] was the only person present for the company. As a result of this meeting the company was advised that if the board recommendation for an adjustment of excessive profits was not made, the unilateral determination would be made. b6 b7C

A unilateral determination showing $260,000 in excessive profit as realized by the C. H. HANSON COMPANY for the year ending December 31, 1942, was made, dated June 17, 1944. It was submitted to the Secretary of the Navy July 22, 1944, and was approved.

On August 4, 1944, a letter was directed to the company, signed by [redacted] Navy Price Adjustment Board, requesting that an amount equal to the difference between the excessive profit determined and the tax credit to which the company is entitled under Section 3806 of the Internal Revenue Code be paid on or about August 14, 1944. b6 b7C

By letter dated August 22, 1944, to the Certification Disbursing Division, Bureau of Supplies and Accounts, Navy Department, the company refunded $52,000 which was the amount determined after a credit of $208,000 representing a tax credit under Section 3806 of the Internal Revenue Code. The company stated that this amount was paid in accordance with the request of the Price Adjustment Board. However, it was in no way expressly or impliedly admitting that any excessive profit was realized.

IV. PETITION FILED BEFORE UNITED STATES TAX COURT

A petition for determination under the Renegotiation Act was filed before the Tax Court of the United States through [redacted] to by KENNEY J. HANSON on October 31, 1944. The petition was sworn that the excessive profit figure of $260,000 in the unilateral determination is erroneous as no excessive profits were received, that the provisions of the Renegotiation Act and amendments do not pertain to the operations of the company for the year ending December 31, 1942, and that the act is unconstitutional. The petition further states that if the act is applicable, it should not apply to sales made for the year 1942 on purchase orders received prior to April 28, 1942, to the extent that payments made and paid for prior to this date are not subject to renegotiation. b6 b7C

SECRET

RFO 46-1692

V. SUMMARY AND COMMENTS ON RENEGOTIABLE AND NON-RENEGOTIABLE SALES, COSTS AND PROFITS OF COMPANY

The following is an analysis of sales for the C. H. HANSON COMPANY for the year ending December 31, 1942, divided as to renegotiable and non-renegotiable:

	Renegotiable		Non-	
	Regular	Special	Renegotiables	Total
Direct to U.S. Government				
Jeffersonville Q.M. Depot	$159,005.10			
Sub-Contracts				
(a) Miehle Printing Press & Mfg. Company		$284,822.45		
(b) Jas. H. Matthews & Co.	59,510.92			
(c) Boom Electric Co.	6,102.00			
(d) Other sub-contracts	28,255.51		$135,079.11	
Steel Stamps & Dies	50,136.30		98,074.68	
Data & Instruction Plates	16,630.58		71,718.32	
Stencils			54,575.51	
Employee & Guard Badges			103,250.97	
Tool & Time Checks			40,045.44	
Sundries			161,977.50	
	$319,640.41	$284,822.45	$664,721.54	$1,269,183.40

In apportioning sales subject to renegotiation, the petitioner used the following basis on sales direct to the United States Government and on subcontracts. There were tabulated all invoices of sales issued after April 28, 1942, regardless of product sold. All unfinished current contracts as of that date were then examined and all payments for shipments made thereon prior to April 28, 1942, were added to the total. This procedure, according to the petitioner, gave the total government sales subject to renegotiation. In the allocation of sales of steel stamps and dies the petitioner advised that 77% of the sales made were to trade customers, hardware stores and supply houses and 23% directly to the consumer. It was then determined that 44% of the 77% of sales to trade customers, etc., would be subject to renegotiation. The 44% determination was arrived at by using statistics from the Department of Agriculture. In this connection figures disclose that 44% of the national expenditures were for war purposes indicating that 44% of the industry was converted for war purposes. Under the steel stamps and dies group of sales there was tabulated every invoice issued after April 15, 1942. April 15th was selected as a cut-off date for this item as a substantial number of the petitioner's customers were operating on a ten day discount basis and it was the opinion of the petitioner that any invoice issued prior to that date and not paid prior to April 28th would be offset by those issued after April 15th and not discounted prior to April 28th.

The sales of data and instruction plates were allocated in the same manner as steel stamps and dies in so far as the cut-off date of April 15, 1942, is concerned. The petitioner concluded that these items do not directly enter into production of equipment and are further removed from war use than steel stamps and dies. Petitioner estimated 25% of sales of this character should be considered renegotiable.

The petitioner considered that sales of stencils, and employee and guard badges, tool and time checks, and sundries to the general trade were not considered subject to renegotiation.

The manner of segregation of sales as explained above is more fully set out in a letter to the Regional Price Adjustment Board in Chicago dated March 2, 1944, and this basis was accepted by the PAB for renegotiation purposes. It was on this basis that the unilateral determination was made.

The company also submitted detailed information as to the costs and expenses in connection with operations for the year ending December 31, 1942. There was prepared from the data submitted and made a part of this report Exhibit A which is an operating statement for the year ending December 31, 1942, divided as to renegotiable and non-renegotiable business showing the operating results before giving consideration to the determination of $260,000 excessive profit and showing results after deduction of $260,000 from renegotiable sales and profits.

Schedules 1, 2 and 3 were prepared which make reference to Exhibit A and are also made a part of this report, pertaining to manufacturing, administrative and selling and shipping expenses.

THE C.H. HANSEN CO.

EXHIBIT "A"

	Per Statement of Auditors	Renegotiable Sales	Non-Renegotiable Sales		
		Regular	Special		
Net Sales					
Cost of Goods Sold					
Inventory 1-1-43					
Material Purchases					
Direct Labor					
Manufacturing Expense - General					
Less Inventory 12-31-43					
Cost of Goods Sold					
Gross Profit on Sales					
Expenses					
Selling Expenses - General					
Selling Expenses - Salaries					
Total Expenses					
Net Profit from Operations					
Other Income					
Net Profit before Federal Income Taxes					
Renegotiable Sales					
Regular					
Special					
Renegotiable Profit					
Regular					
Special					

THE C.H. HANSON CO.

SCHEDULE No. 1

MANUFACTURING EXPENSES

	Manufacturing Expense	Apportioned to Renegotiable Sales Regular Specialties	Apportioned to Renegotiable Sales

THE L.H. HANSEN CO.

ADMINISTRATIVE EXPENSES

SCHEDULE No. 2

		ADMINISTRATIVE EXPENSE	APPORTIONED		
			REASONABLE SALES		NON-REASONABLE SALES
			REGULAR	SPECIAL	
Officers' Salaries	(1)	39401 64	9586 34	19807	10008 30
Office Salaries	(2)	6450 00	1610 00	1080 00	3360 00
Stationery + Printing	(3)	1510 00			1510 00
Rent + Subscriptions	(3)	1349 37			1349 37
Postage	(3)	1367 00		1367 00	
Light + Heat + Ice + Water	(3)	2442 96			2442 96
Repairs + Renewals	(4)	1031 96	430 00	298 00	303 96
Insurance	(4)	5165 00	2151 00	1491 00	1523 00
Legal + Auditing	(5)	5000 00	1250 00	867 00	2883 00
Office Supplies	(6)	4000 00	1000 00	693 00	2307 00
Taxes	(11)	2446 07	611 51	423 96	1410 60
Depreciation - Building	(3)	1000 00			1000 00
- Fixtures	(3)	3125 00			3125 00
Interest	(3)	1700 00			1700 00
Miscellaneous	(7)	3000 00	750 00	520 00	1730 00
Bad Debts	(8)	701 01			701 01
Telephone + Telegraph	(1)	1483 06	311 13		1171 93
Employees' Welfare	(3)	703 13			703 13
Insurance and Bond	(3)	1000 00			1000 00
Federal Excise Taxes	(3)	1406 25			1406 25
Unemployment Compensation	(1)	963 18	202 16	139 99	621 03
Federal Old Age Benefits	(1)	3614 11	758 96	525 49	2329 66
Capital Stock + Sales Tax	(3)	6765 63	1691 41	1172 00	3902 22
Sundries + Expenses + Misc.	(4)	4000 00	1200 00	831 00	1969 00
		126181 81	31500 45	27605 90	67075 46

(1) Distributed on basis of Reasonable Sales - Regular 20%, Special 17%, Non-Reasonable Sales 63%

(2) Distributed on basis of Reasonable Sales - Regular 40%, Special 30%, Non-Reasonable Sales 30%

(3) Distributed on basis of Total Sales - Regular 25%, Special 19%, Non-Reasonable Sales 56%

(4) Distributed on basis of Reasonable Sales - Regular 40%, Special 30%, Non-Reasonable Sales 30%

(5) Distributed on basis of Reasonable Sales - Regular 25%, Special 18%, Non-Reasonable Sales 57%

(6) Distributed on basis of Reasonable Sales - Regular 25%, Special 18%, Non-Reasonable Sales 57%

(7) Distributed on basis of Total Sales - Regular 25%, Special 19%, Non-Reasonable Sales 56%

(8) Distributed on basis of Reasonable Sales - Regular 30%, Special 22%, Non-Reasonable Sales 48%

FEB. 1947 — THE C. H. Nelson Co.

L.S.H. — SELLING AND SHIPPING EXPENSES — SCHEDULE No. 2

	Selling and Shipping Expenses Incurred Directly in Each Unit	Apportioned Renegotiable Sales			Non-Renegotiable Sales
		Regular	Special		

WFO 46-1692

Figures contained in Exhibit A and in Schedules 1, 2 and 3 as submitted by the petitioner were used for the purpose of renegotiation and acceptable to the Price Adjustment Board. The special sales item of $284,822.45 is a subcontract to Miehle Printing Press and Manufacturing Company. Sales subject to renegotiation were 47.63% of total sales. From examination of Exhibit A it is noted that the percentage of operating profit on sales renegotiable regular sales was 36.74% and 63.66% on renegotiable special sales. The total renegotiable profit to renegotiable sales was considered to be 49.42%. After giving affect to the excessive profits determined of $260,000, the percentage of operating profit to sales on renegotiable sales was computed to be 11.25% as compared to 49.42% before this application. The percentage of operating profit on non-renegotiable sales before and after giving affect to $260,000 remains the same.

By examination of Schedules 1, 2 and 3 there is an analysis as to the manner of allocating manufacturing, administrative and selling and shipping expenses which shows that the expenses were applied in instances on a sales basis on an arbitrary percentage basis, actual basis, direct labor basis or other basis which is explained. The company maintained at the various meetings with the Price Adjustment Boards both in Chicago and Washington, D.C. that if the percentage of profit on renegotiable sales was computed on the sales figure of $604,462.86 after the elimination of the excessive profits of $260,000 rather than on $344,462.86 ($604,462.86 minus $260,000) the percentage of operating profit would be only 6.41% which would not be excessive. The petitioner further stated that if the prorata amount of federal income and excess profits taxes of approximately $209,000 had been deducted from the operating profit, the percentage would be only approximately 9.65%. Petitioner stated that after deducting the prorata federal income and excess profits taxes the net profit would be approximately $59,747 and then after deducting $52,000, the amount of the refund, the residual net profit would be approximately $7,747, or only 1.28% of renegotiable sales.

The net profit after federal income taxes and before the $52,000 reimbursement (refund on account of renegotiation) on the entire business for the year ended December 31, 1942, was $137,564.

Net income before taxes		$492,098.00
Income taxes per 1942 tax return	$392,825.00	
Less: Postwar refund of excessive profits	38,291.00	354,534.00
		$137,564.00

Depreciation was computed on a straight line method, varying from 2% to 20% and the amount recorded in the books is the same as that shown for federal tax purposes. No accelerated depreciation was taken for the year under review and the company has no equipment covered by certificates of

necessity. There was no depreciation claimed on assets previously depreciated and the total depreciation claimed as shown in Schedules 1, 2 and 3 does not appear to be excessive.

The negotiator for the Regional Price Adjustment Board pointed out in his report, dated February 16, 1944, that from his work papers the 25% basis used by the petitioner in estimating sales of data and instruction plates subject to renegotiation was probably low in view of the contractor's statement that these items do not directly enter into production in the same sense as do steel stamps. The negotiator stated that to the extent that they are a part of machinery and equipment used in producing war material they are renegotiable. Similarly stencils used for marking shipments should probably be considered renegotiable to the extent that they are used on war material. In this respect the negotiator stated the possible increase in renegotiable sales would be approximately $28,000. He mentioned this to be offset through the petitioner's method of allocating costs and expenses. It is to be noted from Schedules 1, 2 and 3 that expenses such as commissions, advertising, bad debts, dues and subscriptions and some other expense items were charged directly to non-renegotiable business. Of clerical, selling and shipping salaries 70% was charged to non-renegotiable business. The negotiator pointed out that according to the computation if all expenses except those allocated on an actual basis were allocated on a sales basis then renegotiable profit would be lowered by $969; further that from his review of the petitioner's books many items of cost were charged to non-renegotiable sales that might properly have been prorated. The negotiator concluded that the petitioner did a reasonably acceptable job of a difficult segregation and that any understatement of renegotiable sales could be considered offset by a liberal allocation of costs to non-renegotiable business and suggested no changes.

There are set forth below the names of officers receiving salaries in excess of $10,000 for the year ending December 31, 1942 and are compared with years 1940 and 1941.

Name & Title	1940	1941	1942
HENRY J. HANSON, president	$4,940.00	$15,120.00	$25,000.00
CHARLES E. HANSON, treasurer	3,380.00	10,440.00	17,000.00
HENRY C. HAND, secretary	3,380.00	10,440.00	17,000.00
EDWARD C. HAND, assistant secretary	3,120.00	9,810.00	17,000.00
	$14,820.00	$45,810.00	$76,000.00

The negotiator pointed out in his report that the Bureau of Internal Revenue had apparently questioned the salaries paid to officers for the year 1942. In justification of the increase the company submitted a report prepared by [redacted] pointing out that executives' salaries had previously been held down with agreement with bankers during the years the company was borrowing money and that 1941

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salaries were but 7.3% of sales as compared with an average ratio of 8.79% of such salaries to sales for 14 companies in the industry surveyed by the Department of Commerce. The allocation of officers' salaries for the year 1942 is reflected in Schedules 1, 2 and 3 of this report.

Attention is called to the item of royalties paid of $13,670.44, which is set forth under renegotiable sales special in Schedule 2 of this report. The petitioner explained that these royalties were paid to a man [redacted] b6 b7C This individual is [redacted] and presently [redacted] The petitioner through [redacted] stated that the rate was $2.00 per drum and was paid in accordance with an agreement dated October 1, 1941.

The negotiator pointed out that only a portion of the amount of $13,670.44 to the extent of approximately $9700 should be properly charged to renegotiable business. A portion of the Miehle contract was performed in 1941 and therefore not subject to renegotiation.

VI. SUMMARY AND COMMENTS OF COMPANY'S PROFIT AND LOSS STATEMENTS FOR YEARS 1936 THROUGH 1941

There was prepared summary profit and loss statements of the petitioner for the years 1936 through 1941 as taken from federal income tax returns supplied to this office by the Department. These summaries are set forth on Exhibit B which has been made a part of this report.

44-16
L.S.W.

EXHIBIT "B"

Profit and Loss Statements of Petitioner as Taken From Federal Income Tax Returns for Years Ending Dec. 31

	1936	1937	1938	1939	1940	1941
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Attention is called to the percentage of net profit on net sales for these years which are shown on Exhibit B. Computation of the percentage of profit on sales for the base period of the years 1936 through 1939 was made and it was determined to be .83% or less than 1%. Attention is called to the operating results for the year 1941 shown on this exhibit wherein the percentage increased to 18.40% over .82% for the prior year. The petitioner during the various hearings held stated that the base period for determining a fair operating profit on sales should be taken from the results of operations for the years 1920 through 1929 as this was a normal production period of operation for the company, mentioning that it was during these years the company made and sold license plates to states and cities which constituted a large segment of the company's business. After 1929 the plates were made from prison labor and therefore profits of the company were abnormally low and should not be considered a normal period of operation for the company. This condition continued to exist through the base period.

From a schedule of operations submitted by the petitioner setting forth sales, cost of sales, expenses and profit for the years 1920 through 1942 supporting its position, the negotiator prepared the following summary of operations and percentages. It is being set out at this time for comparison with the percentages computed for the year under investigation:

Years	Average Profit	Average Net Profit Before Taxes	Percentage
1920-29	$634,302	$52,464	8.27%
1930-32	301,255	(64,052)	-
1933-36	265,091	3,465	1.31%
1937-40	325,271	2,352	.72%

VII. SUMMARY OF BALANCE SHEETS OF COMPANY FOR YEARS 1936 THROUGH 1942

From the information supplied to the Price Adjustment Board by the petitioner there was prepared for the purpose of this report Exhibit C which is a comparative balance sheet of the company for the years 1936 through 1942 and also Exhibit D which is an analysis of earned surplus for the years 1940, 1941 and 1942.

EXHIBIT "C"

COMPARATIVE BALANCE SHEETS - THE C.N. HANSON CO.

YEARS ENDING December 31

	1936	1937	1938	1939	1940	1941
ASSETS						
Current Assets						
Cash on hand & in Bank						
Due from U.S. Govt. Contracts						
U.S. Government Securities						
Accounts Receivable						
Inventories						
Total Current Assets						
Fixed Assets						
Land & Improvements						
Buildings						
Machinery & Equipment						
Furniture & Fixtures						
Total Fixed Assets						
Less Reserve for Depreciation						
Net Fixed Assets						
Other Assets						
Investments						
Patents						
Goodwill						
Total Other Assets						
TOTAL ASSETS						
LIABILITIES						
Current Liabilities						
Accounts Payable						
Notes Payable						
Accrued Taxes						
Accrued Wages						
Total Current Liabilities						
Long Term Liabilities						
Mortgages						
Bonds						
Total Long Term Liabilities						
Total Liabilities						
Capital Stock						
Preferred Stock						
Common Stock						
Surplus						
Earned Surplus						
Capital Surplus						
Total Surplus						
TOTAL LIABILITIES & CAPITAL						

46-164
2 of 4

THE C. H. HANSON COMPANY

ANALYSIS of EARNED SURPLUS - YEARS 1940-41-42

EXHIBIT "D"

Balance 12-31-39		$ 737575.50
Profit per Books Y/E 12-31-40	$ 27[illegible]7.10	
Less: Income Tax	3560	29[illegible]50
Balance 12-31-40		76[illegible]60
Profit per Books Y/E 12-31-41	$ 11[illegible]3.31	
Less: Income Tax	[illegible]711	[illegible]560
Add: Claim for Refund 1940 Income Tax Account		36[illegible]
		13[illegible]03
Deduct: Personal Property Tax Reserved	$ 6[illegible]6	
Depreciation Omitted Charged off	700	
Cash Dividends Paid	[illegible]0000	[illegible]6766
Balance 12-31-41		[illegible]
Profit per Books Y/E 12-31-42	$ [illegible]0031	
Less: Income Tax	[illegible]0711	91[illegible]10
Add: Personal Property Tax Reserved		[illegible]
Accrued Excess Profits Tax Reserved		[illegible]
		73[illegible]
Deduct: Capital Stock Tax	$ [illegible]3750	
Claim for Refund Income Tax	7[illegible]7	
Cash Dividends Paid	[illegible]0000	76[illegible]557
Balance 12-31-42		$ [illegible]7[illegible]03[illegible]58

Examining the earned surplus account for the years 1940, 1941, and 1942 which is shown on Exhibits C and D it will be noted that the balance in this account improved from a balance of $73,750.50 to $197,038.58 for the period from January 1, 1940, to December 31, 1942, after dividends of $7000 in 1941 and $25,000 in 1942 were paid. In addition to this improvement of the surplus account attention again is called to the fact that officers' salaries in 1940 were $14,820, in 1941 were $45,810 and in 1942 were $76,000. It is noted that net profits before renegotiation and after federal taxes were deducted amounted to $137,564, which is 34.65% of net worth of $397,038.58 as of December 31, 1942.

VIII. CONCLUSION

There appears to be no dispute as to segregation of sales for the purposes of renegotiation and the allocation of costs. The figures submitted by the petitioner were used without adjustment. The chief disagreement as has heretofore been set out is that excessive profits should be determined only after federal income taxes have been deducted. Had this procedure been adopted, there would have been no excessive profits for renegotiation. Further, in arriving at a percentage to indicate a fair rate of return, the adjusted sales figure ($260,000 deducted from net sales) should not be used. It appears that a complete analysis of costs and explanation as to the segregation of sales was submitted by the petitioner and it is not believed that an accounting investigation of the petitioner's books and records would materially improve the government's position. In view of the petitioner's remarks that the base period of operation was an abnormal period the government attorney may consider it important to study a number of representative companies in the same type of business as that of petitioner to ascertain a normal margin of profit for these years. This is particularly true since the petitioner's margin of profit for the base period was less than 1%.

IX. ENCLOSURES TO THE BUREAU

Files of the Navy Price Adjustment Board pertaining to Petitioner's operations for the year 1942.

Certified photostatic copies of federal income and excess profits tax returns for the years 1936 through 1942.

These files are beingtransmitted to the Bureau in accordance with Bureau instructions in order that they may be forwarded to the Department.

Copies of this report have been designated for the Chicago Division inasmuch as investigation may be desired at this company at the direction of the Department.

P E N D I N G

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C. FILE NO. 46-1692

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
WASHINGTON, D. C.	10-12-49	10/11/49	EDWARD J. ARMBRUSTER (a)

TITLE
THE C. H. WARSON COMPANY, a Corporation, vs JAMES V. FORRESTAL, Secretary of the Navy and also as Acting Secretary of the Navy, NAVY

CHARACTER OF CASE
RENEGOTIATION ACT

PRICE ADJUSTMENT BOARD, & W. JOHN KENNEDY, Chairman, Navy Price Adjustment Board; Tax Court Docket No. 98-R

SYNOPSIS OF FACTS:

Docket of U. S. Tax Court reflects that on October 5, 1949, the court dismissed this case on account of non-appearance. As a result of this dismissal, the determination made by the War Contracts Price Adjustment Board that petitioner earned excessive profits of $210,000 for the calendar year 1942 remains in full force and effect.

- C -

REFERENCE: Bureau letter dated April 29, 1947
Report of Special Agent (A) [redacted] dated November 26, 1947, at Washington, D. C. b6 b7C

DETAILS: AT WASHINGTON, D. C.

A check of the docket, U. S. Tax Court, reflects that on October 5, 1949, the court dismissed plaintiff's petition on account of non-appearance of plaintiff. As a result of this dismissal, the determination made by the War Contracts Price Adjustment Board that petitioner earned excessive profits of $210,000 for the calendar year 1942 remains in full force and effect.

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WFO - 46-1692

A copy of this report is being designated for the Chicago Division to complete its files. It will be noted that no field examination was conducted by the Chicago Division inasmuch as no request for an accounting examination in the field was received from the Department.

- C L O S E D -

HCH:dbl:lcp

Tax Ct. No. 96-H

October 25, 1949

95-1

Department of the Navy
Building T-3
Washington 25, D. C.

Attn: [redacted]
Room 1620 - Renegotiation Div.

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b7C

Re: C. H. Hanson Company v. Secretary of the Navy; Tax Ct. 96-H.

Gentlemen:

Please be advised that on October 5, 1949, the Tax Court of the United States entered an order dismissing the petition in the above-entitled proceeding.

This dismissal leaves in full force and effect the determination made by the respondent that the petitioner for its fiscal year ended December 31, 1942, had excessive profits in the principal amount of $260,000.

Sincerely yours,
For the Attorney General,

G. I. R.

H. G. Morison,
Assistant Attorney General.

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cc: Federal Bureau of Investigation
Bureau of Internal Revenue
[redacted] (NCPAD)

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Tax Ct. No. 400-R

July 11, 1947

[redacted]

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War Contracts Price Adjustment Board
Room 3B 547, The Pentagon
Washington 25, D. C.

Re: William A. Leiser, et al.
d/b/a W. A. Leiser & Company
v. James Forrestal; Tax Court
Docket No. 400-R.

Sir:

[redacted]

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b7C

Respectfully,
For the Attorney General,

HERBERT A. BERGSON,
Acting Assistant Attorney General.

cc: ✓Federal Bureau of Investigation
Bureau of Internal Revenue
[redacted] (Navy Dept)
[redacted] Chief
District Court Section

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26 JUL 15 1947

SAC, Washington Field

July 9, 1947

Director, FBI

RECORDED WILLIAM A. LEISER, ET AL
VS. JAMES FORRESTAL, SECRETARY
OF NAVY, ET AL, TAX COURT DOCKET NO. 339-E
~~EMERGENCY~~ RELIEF ACT

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[redacted]

46-13650

JRS:MS

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JUL 9 - 1947 P.M.
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

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PF:HMH:lsp

Tax Ct. No. 359-R

June 17, 1947

Mr. Francis Hodgson, Counsel
Navy Price Adjustment Board
Room 338
Navy Department
Washington, D. C.

Re: William A. Pleiner, et al.
v. James Forrestal, Secretary of Navy, et al.; Tax Court Docket No. 359-R.

Sir:

[redacted]

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Respectfully,
For the Attorney General,

PETER FOND,
Assistant Attorney General.

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b7C

cc: Federal Bureau of Investigation
Bureau of Internal Revenue
(War Dep't)
[redacted]
Chief
District Court Section

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EX-58

SAC, Washington Field

December 31, 1947

Director, FBI

The Austin Company v. Secretary of
the Navy, Tax Docket No. 104-R
Renegotiation Act

There are attached for your attention two copies of a self-explanatory memorandum from the Claims Division, dated December 26, 1947 together with the enclosures indicated therein. Upon completion of the investigation, the enclosures should be returned by your office to the Bureau.

A copy of the Claims Division memorandum is being forwarded to the Cleveland Office inasmuch as the address of the petitioner is 16112 Euclid Avenue, East Cleveland, Ohio. No investigation will be conducted by the Cleveland Office until a report has been submitted by the Washington Field Office and a subsequent memorandum received from the Claims Division.

Enclosures

cc - Cleveland (with enclosure)

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg NRS:agb
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

COMMUNICATIONS SECTION
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☆ DEC 31 1947 P.M.
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

ADDRESS REPLY TO
"THE ATTORNEY GENERAL"
AND REFER TO
INITIALS AND NUMBER

DEPARTMENT OF JUSTICE

WASHINGTON, D.C.

HAB:WVQ

Tax No. 104-R

December 26, 1947

MEMORANDUM FOR MR. J. EDGAR HOOVER
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION.

Re: The Austin Company v. Secretary of the Navy, Tax Docket No. 104-R

In the above-entitled case, the petitioner seeks a redetermination of its excessive profits for its fiscal year ending December 31, 1941 and 1942. Its position is that the determination of the respondent was too high; the Government's position, on the other hand, is that the petitioner's excessive profits were not less than has been found by the respondent. If the facts warrant it, we will urge the Tax Court to find that the petitioner's excessive profits were greater in amount than is shown by the present determination.

The petitioner plans to rely in the Tax Court on the financial data submitted by it to the delegatee which renegotiated the petitioner for and on behalf of the respondent.

The following information and material is herewith forwarded:

1. Copies of the petition and answer filed in this case.

2. All available tax returns for this petitioner for the period beginning 1936.

3. The renegotiation file obtained from the renegotiating agency for the fiscal year involved.

The Austin Company is an Ohio corporation with its principal offices located at 16112 Euclid Avenue, East Cleveland, Ohio. Its counsel is the firm of McKeehan, Merrick, Arter & Stewart, 2800 Terminal Tower, Cleveland, Ohio.

[redacted] Department of Justice (Room 3348, Extension 1126) is in charge of this case on behalf of the Government. He will be available for any conferences desired by your accountants to the end that the requested report, when submitted, will enable us to intelligently outline the nature and scope of an audit we plan to have made of the petitioner's books and records.

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In our opinion, it is important that we have this material analyzed before any examination is made of petitioner's books and records. Accordingly, it is requested that you have an accountant of your local Washington Field Office examine and analyze the data transmitted herewith or referred to above and submit his report, including therein the following:

1. A summary of petitioner's income, costs, profits and net worth for its fiscal year involved herein, divided between renegotiable business and non-renegotiable business as claimed by the petitioner.

2. An analysis of the theories used by the petitioner in allocating costs between renegotiable and non-renegotiable business, in allocating its total business between that which is renegotiable and that which is not, in amortizing equipment, in setting up reserves, etc.

3. The applicability of alternative accounting theories to the petitioner's business. We, of course, are particularly interested in those theories the application of which would show smaller total expenses and greater net income from renegotiable business.

4. An analysis of petitioner's income, costs, profits and net worth for its fiscal year involved herein, divided between renegotiable and non-renegotiable business, as worked out by the renegotiating agency.

5. An analysis of the theories used by the renegotiating agency in arriving at the petitioner's income, costs, profits and net worth for its fiscal year involved herein, and dividing each between renegotiable and non-renegotiable business.

6. A discussion of apparent discrepancies, if any, between the data submitted by petitioner and the pertinent income tax returns filed by it.

7. A summary of the petitioner's profit and loss for each of its fiscal years prior to the one involved in this suit, beginning with the year 1936, if the petitioner was in business during that period. The petitioner's average profit and loss for the years 1936-1939 should be worked out.

8. A summary of the balance sheets covering the years 1936 to and including the year involved.

9. Suggestions as to what information might be available in petitioner's books and records which could be obtained by an accounting examination of them, and which possibly would have a bearing on the question of the amount of petitioner's excessive profits for its fiscal year involved herein, under the provisions of the Renegotiation Act, as amended.

10. In analyzing the data submitted in this case, it is requested that your accountant classify petitioner's business under the various headings set forth in the petition (pages 8-13, inclusive). For example, construction sales should show sales, costs and profits for (i) cost plus fixed fee contracts, (ii) negotiated fixed amount contracts, (iii) DPC business, (iv) transactions with Dow Chemical Company, and (v) sales prior to April 28, 1942. Possibly some of these subheadings will have to be further broken down, i. e., DPC business may have been both before and after April 28, 1942, or it may be under a negotiated fixed amount contract. There may be several subheadings under some of the other general classifications. It is believed that such a breakdown is advisable in order that we can stipulate as to the mathematical accuracy of the various contentions raised by the petitioner.

Herbert A. Bergson

HERBERT A. BERGSON,
Acting Assistant Attorney General

Attachments

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C. FILE NO. 46-1929

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
WASHINGTON, D. C.	6/4/48	5/6,10,12,15, 18,19/48	EDWARD J. ARMBRUSTER (A) EJA:ES

TITLE
THE AUSTIN COMPANY v. SECRETARY OF THE NAVY, TAX DOCKET #104-R

CHARACTER OF CASE
RENEGOTIATION ACT

SYNOPSIS OF FACTS:

ACCOUNTING REPORT

The Navy PAB determined that petitioner derived excessive profits of $400,000 from its renegotiable contracts for the fiscal year ended December 31, 1941, and $2,000,000 for the fiscal year ended December 31, 1942. Total sales in 1941 amounted to $87,481,222 of which $49,989,929 were not subject to renegotiation. Profits on renegotiable sales in 1941 before renegotiation amounted to $1,238,112 and $838,147 after renegotiation. Total sales in 1942 amounted to $258,329,483 of which $20,745,139 were not subject to renegotiation. Profits on renegotiable sales in 1942 before renegotiation amounted to $5,555,677 and to $3,555,677 after renegotiation. Contracts include both fixed price and cost plus fixed price. Schedules A and B prepared from the NPAB files reveal details of gross receipts and adjusted profits. Contractor denies excessive profits and filed petition in Tax Court on November 10, 1944 seeking a redetermination. No examination made of petitioner's books and records by FBI. Copies of this report being designated for the Cleveland Division for information purposes.

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REFERENCE: Bureau letter dated December 31, 1947.

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work is carried on in each of the seven such areas under the district managers who are generally vice-presidents. Each district office is patterned after an independent operating company, securing its own business and becoming a part of the local community. Each district maintains its own staff, storeyards and stock of construction equipment. The general office provides supervision and financial direction, determines policies, directs development and research activity and supervises the operations of the steel fabricating mill.

HISTORY OF RENEGOTIATION

The Austin Company was assigned to the Navy Department for renegotiation on August 6, 1942. On September 10, 1942, the Board requested the contractor to submit preliminary data for renegotiation purposes. On September 14, 1942, the company replied to the communication and advised that the information would be forthcoming.

On November 23, 1942, the contractor submitted the first information for renegotiation purposes in connection with the Board's request.

On February 20, 1943, the Austin Company wrote to the Navy enclosing various schedules and other information which had been requested theretofore by the Board. On March 26, 1943, the Company again wrote the Navy enclosing additional information such as financial statements and answers to specific questions which it stated constituted all of the specific schedules and information requested.

On April 19, 1943 the Company sent to the Navy schedules of contract data for the year ended December 31, 1942 showing construction sales, engineering sales and other financial data for that particular year.

Again on June 17, 1943, the Austin Company sent to the Board a number of additional schedules containing financial information consisting of balance sheets, surplus profit and loss statements, all pertaining to the fiscal year 1942. On July 8, 1943 the Board requested additional schedules from the company pertaining to its construction costs. The company replied on July 14, 1943 that ERNST and ERNST, Certified Public Accountants, would prepare the desired information.

On July 21, 1943 the Company submitted to the Board various exhibits and schedules for the purpose of placing on record the pertinent facts concerning the history, work and performance of the Austin Company, as a background for the analysis of the data previously submitted.

On September 23, 1943, the company again sent to the Board additional schedules pertaining to its financial transaction. Under date of December 3, 1943 the Board mailed to the Austin Company notice that an initial conference was set for December 17, 1943, in Washington, which notice the company acknowledged by its letter of December 7, 1943.

On December 17, 1943 a conference was had by the company and members of the Navy Price Adjustment Board in Washington, D. C. No final determination was made at this meeting with respect to excess profits.

Under date of February 19, 1944, the company sent to the Board additional information which had been requested by analysts of the Board. Again on April 3, 1944, the Board requested certain specific information from the company concerning details of information which it had previously submitted. The company replied to this request under date of April 19, 1944. On May 9, 1944, the company wrote to the Board enclosing various schedules and information submitted or to be submitted to the Bureau of Internal Revenue in connection with the reasonableness of salaries for the years 1940 and 1941 which were involved in the disallowance for income tax purposes. Under date of May 16, 1944, the Austin Company sent to the Board in response to telephonic requests, additional information concerning financial transactions of the Company for the years 1936 to 1942 inclusive.

Under date of May 24, 1944, a letter was sent to the Austin Company by the Board notifying the company of a renegotiation meeting to be held on June 5, 1944, in Washington, D. C., which the company acknowledged by letter of May 29, 1944.

On June 5th and 6th, renegotiation conferences were held in Washington, D. C. by the Board and the company. No definite agreement was reached as to the excessive profits at this meeting.

Under date of June 17, 1944, the Austin Company wrote to the Board referring to the preliminary findings made at this meeting of June 6th and advising that the company had not thought that the profits under cost plus a fixed fee contracts should be considered subject to reduction upon renegotiation. The company also offered various reasons as to why it considered the tentative determination of excessive profits by the Board to be unreasonably high.

On July 10, 1944, the Chairman of the Board wrote The Austin Company advising it that the Board had carefully considered the information submitted theretofore and had found nothing which would justify a change in its findings made at a meeting with the company. Under date of July 17, 1944, the company wrote the Board advising it that in order to protect its position in regard to certain legal questions, it might be necessary for it to appeal to the Tax Court and that, therefore, the Board should make a unilateral determination.

Under date of August 14, 1944, a unilateral order was signed by the Board and mailed to the company with a letter noting that the company merely desired to protect its legal position and not to have the Chairman give further consideration to the matter. The determination of the Board was to the effect that the excessive profits for the fiscal year ended December 31, 1941, amounted to $400,000 and the excessive profits for the fiscal year ended December 31, 1942, amounted to $2,000,000 making a total of $2,400,000 excessive profits for the fiscal years 1941 and 1942.

On September 5, 1944, the Paymaster General of the Navy advised the company that the net balance of the excessive profits which have been determined would be $2,400,000 would be equal to $503,113.60 after the application of the tax credits to which the company would be entitled.

DETERMINATION OF EXCESSIVE PROFITS

The Navy Price Adjustment Board determined that the petitioner derived excess profits of $400,000 in the fiscal year ended December 31, 1941, which were applicable to cost plus fixed fee contracts.

The Board also determined that petitioner derived excess profits in the amount of $2,000,000 in the fiscal year ended December 31, 1942. Of this amount $290,000 was determined to be applicable to fixed price contracts and $1,800,000 was applicable to cost plus a fixed fee contracts.

The total amount of excessive profits amounts to $2,400,000 which is subject to a tax credit of $1,896,886.40 leaving a net refund due the Government of $503,113.60.

On March 15, 1949, the reporting agent joined [redacted] in a conference with [redacted] b6 b7C

CV F. O.
46-783

[redacted] and [redacted] This conference b6 b7C was held at the counsel's office of McKEEHAN, MERRICK, ARTER & STEWART, 2800 Terminal Tower, Cleveland, Ohio.

At this conference, [redacted] discussed with the petitioner as to what their decision would be as to the break-off date of April 28, 1942 in regard to their war business. [redacted] pointed out that although in the petition filed with the Tax Court by The Austin Company b6 they referred to the April 28th break-off date, they do not show any break-up b7C of their total contracts as set forth in their sales figures on page 8 of this petition. [redacted] and [redacted] asked to think this over a while and stated that they would notify the reporting agent at a later date.

[redacted] raised the question of the Defense Plant Corporation business and the tabulation of the contracts executed prior to July 1, 1943 as to their renegotiability. [redacted] at this time b6 acquainted [redacted] and [redacted] with the recent court opinion concerning b7C the July 1, 1943 effective date of the amendment to the Renegotiation Act. Counsel and [redacted] again stated that they wished to think this over and would notify the reporting agent at a later date.

During this conference, [redacted] stated that he did not think the Price Adjustment Board gave adequate consideration to the fact that the Austin Company was performing four separate and distinct jobs; namely, (1) design and engineering of a project; (2) construction of a project; (3) the furnishing of construction equipment needed for the performance of the construction work; and (4) the fabrication of structural steel. [redacted] further stated that the Austin Company had performed engineering services for the Government, at a cost to the Government which is much less than it would have paid had it entered into separate engineering contracts b6 for the same work. [redacted] stated he brought these points out because b7C the Board had renegotiated them on a yearly basis instead of on a completed contract basis and pointed out the fact that in the year 1943 the petitioner realized a profit on cost plus a fixed fee contracts of .86 per cent before taxes and before renegotiation. [redacted] replied that at the time renegotiation was first instituted, they, The Austin Company, could have made an agreement with the Price Adjustment Board as to how they wished their renegotiations to be handled and at this late date nothing further could be done about this matter.

[redacted] replied that he was of the opinion that the b6 court should take into consideration their profits for the year 1943, in which b7C

year they were completing some of the continuing contracts and upon which they received no additional fee. [redacted] stated that the FBI would check the firm's 1943 records and submit them. b6 b7C

[redacted] was contacted at The Austin Company's offices on March 23, 1949. At this time [redacted] stated that The Austin Company had reached the following decision; namely, that the April 28, 1942 break-down would be waived and that all contracts, both Army and Navy, cost plus a fixed fee and lump sum would be considered on a yearly basis. Secondly, that in regard to the July 1, 1943 break-down for the Defense Plant Corporation, The Austin Company would stand upon the validity of the court decision in the Warner & Swasey case. b6 b7C

METHOD OF ACCOUNTING

The accounts are audited by ERNST and ERNST. The books are kept on an accrual basis, separate accounts being established for each construction project. Income on long term contracts is taken up on basis of estimates of completion. Fees on Cost Plus a Fixed Fee contracts are generally taken up in income as approved and passed for payment by the contracting officer or owners representatives.

Separate records are maintained for the principal departments of the company; namely, Construction, Engineering and Bliss Mill. In addition, costs of the individual contracts are charged with second party equipment rentals or rentals for the use of the company's own equipment. The method of booking the intra-company operations and equipment rental may be summarized as follows:

1. Construction costs include, at billing price, all intra-company operations and second party equipment rentals;

2. Such billing price for Engineering is generally cost plus 50% on lump sum work; for Bliss Mill is based on competitive prices, and for second party Equipment Rentals is in accordance with a company manual (small tools are generally charged at ½ of 1% of contract price) which rate appears to be below OPA and AGC rates;

SAC, Cleveland

February 8, 1949

Director, FBI

THE AUSTIN COMPANY v. JAMES V. FORRESTAL, SECRETARY OF THE NAVY OF THE UNITED STATES, TAX COURT DOCKET NO. 101-R
RENEGOTIATION ACT

REGISTERED MAIL

RECORDED - 115

Attached hereto are two copies of the self-explanatory memorandum from H. G. Morison, Assistant Attorney General, dated January 31, 1949, together with the enclosures referred to therein. A copy of this memorandum is being furnished the Washington Field office since they will ultimately report the results of the Tax Court. It is suggested that two copies of your report be furnished the Washington Field office. You will note on page two of the attached memorandum that [redacted] suggests that your office contact Mr. [redacted] or L. P. Kinnaman, Vice President of the Austin Company, who will make the necessary records available for audit.

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It is suggested, upon completion of the investigation of this case that you return the attached enclosures to the Bureau.

Attachment

cc - Washington Field (Incl.)

AIM:MJP

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

COMMUNICATIONS SECTION
MAILED 11
FEB 8 1949 P.M.
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

FEB 8 1949

ADDRESS REPLY TO "THE ATTORNEY GENERAL" AND REFER TO INITIALS AND NUMBER

DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

HGM:WVC

January 31, 1949

hpd

Tax Court No. 104-R

MEMORANDUM FOR MR. J. EDGAR HOOVER
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

Re: The Austin Company v. James V. Forrestal,
Secretary of the Navy of the United States,
Tax Court Docket No. 104-R.

Reference is made to my memorandum relative to the above-entitled case wherein it was requested that the Washington field office of the Federal Bureau of Investigation examine and analyze the data submitted by the petitioner and used in the renegotiation of the excessive profits of the petitioner. Pursuant thereto, the report of Edward J. Armbruster (A) has been received.

It is now requested that you assign an accountant to examine the petitioner's books and records with a view to ascertaining, among other things, the following:

1. The accuracy of the figures set forth in the schedules and exhibits contained in Agent Armbruster's report. Possibly with respect to certain of these items spot checks will suffice. However, it is requested that the examination of your accountant be sufficient to satisfy him as to the accuracy of such figures. It will be noted that auditors for the Navy Department have made certain rather comprehensive examinations with respect to certain of the items set forth in the schedules and exhibits. Wherever it is possible, it is suggested that the work of these men be utilized. b6 b7C

2. The amount of renegotiable sales for 1941 and 1942. It will be noted that the determination includes excessive profits for both 1941 and 1942.

3. Income, costs and profits of the Austin Company for the years 1936 to 1942, inclusive, with subtotals for the period 1936 to 1939, inclusive.

4. The renegotiable sales, costs and profits for the years 1941 and 1942.

5. An examination and analysis of the controllable items of expense in view of the fact that certain of said items were disallowed as being excessive and others because they were not allocable to the contracts renegotiated in these cases. This latter item is due to the fact that the larger portion of the excessive profits for 1942 was applicable to cost-plus-fixed-fee contracts.

6. In analyzing the data submitted in this case, it is requested that your accountant classify petitioner's business under the various headings set forth in the petition, pages 8 to 13, inclusive. For example, construction sales should show sales, costs and profits for (i) cost-plus-fixed-fee contracts, (ii) negotiated fixed amount contracts, (iii) DPC business, (iv) transactions with Dow Chemical Company, and (v) sales prior to April 28, 1942. Possibly some of these subheadings will have to be further broken down, i. e., DPC business may have been both before and after April 28, 1942, or it may be under a negotiated fixed amount contract. There may be several subheadings under some of the other general classifications.

RECORDED - 115 SEP 13 146-14672 3
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It is believed that such a breakdown is advisable in order that we can stipulate as to the mathematical accuracy of the various contentions raised by the petitioner.

7. Any other facts which might develop during the examination which your accountant thinks might be material to the question of renegotiable profits realized by the petitioner during 1941 and 1942 and which might have some bearing on the amount of petitioner's excessive profits for the period involved.

Petitioner's counsel is the firm of McKeehan, Merrick, Arter & Stewart, 2800 Terminal Tower Building, Cleveland, Ohio. [redacted] is the first counsel listed on the petition. It is suggested that your office contact him or Mr. L. P. Gilmore, Vice President, the Austin Company, who by letter dated December 10, 1947, requested this office to make an audit of the data with respect to this proceeding. b6 b7C

There are transmitted herewith the administrative files of the Navy Department Price Adjustment Board which conducted the renegotiation with respect to this petitioner. In addition thereto, there are transmitted herewith the petition, answer, and copies of pertinent income tax returns.

[redacted] Room 3738, Department of Justice (Extension 72) is in charge of this case for the Government. b6 b7C

We would appreciate your handling this matter as soon as possible.

H. G. Morison

H. G. MORISON
Assistant Attorney General

Attachments

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C. FILE NO. 46-783

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
CLEVELAND, OHIO	4/5/49	3/23-31, 1949	JOHN K. BUSTER (A) mlk

TITLE (1)
THE AUSTIN COMPANY v. JAMES V. FORRESTAL
SECRETARY OF THE NAVY OF THE UNITED STATES
TAX COURT DOCKET NO. 104-R

CHARACTER OF CASE
RENEGOTIATION ACT

SYNOPSIS OF FACTS:

TEN-DAY REPORT

- P -

Reference: Bureau letter to Cleveland dated February 8, 1949.
Report of Special Agent EDWARD J. ARMBRUSTER (A) dated June 4, 1948 at Washington, D. C.

Details: This investigation was instituted upon the basis of a request contained in a memorandum of Assistant Attorney General H. G. MORISON dated January 31, 1949 which was transmitted to the Cleveland Division by the Bureau letter dated February 8, 1949.

Pursuant to instructions contained in referenced Bureau letter, Mr. L. P. GILMORE, Vice President of The Austin Company, was telephonically contacted on March 11, 1949 and arrangements made to begin this investigation on March 23, 1949.

On March 15, 1949, the reporting agent joined [redacted] in a conference with Mr. GILMORE and [redacted]

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G.I.R.-7

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APPROVED AND FORWARDED: R.J. Abbaticchio SPECIAL AGENT IN CHARGE

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EX-137

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2 - Cleveland

1 APR 7 1949

1 APR 13 1949

U. S. GOVERNMENT PRINTING OFFICE 7—2000

for petitioner. This conference was held at the counsel's office of McKEEHAN, MERRICK, ARTER & STEWART, 2800 Terminal Tower, Cleveland, Ohio.

At this conference, [redacted] discussed with the petitioner as to what their decision would be as to the break-off date of April 28, 1942 in regard to their war business. [redacted] pointed out that although in the petition filed with the Tax Court by The Austin Company they referred to the April 28th break-off date, but do not show any break-up of their total contracts as set forth in their sales figures on Page 8 of this petition. [redacted] and [redacted] asked to think this over a while and stated that they would notify the reporting agent when he contacted them on March 23, 1949 to begin the audit. b6 b7C

[redacted] raised the question of the Defense Plant Corporation business and the tabulation of the contracts executed prior to July 1, 1943 as to their renegotiability. [redacted] at this time acquainted Mr. [redacted] and [redacted] with the recent court opinion concerning the July 1, 1943 effective date of the amendment to the Renegotiation Act. Counsel and [redacted] again stated that they wished to think this over and would notify the reporting agent as to their decision. b6 b7C

Mr. [redacted] stated that he did not think the Price Adjustment Board gave adequate consideration to the fact that The Austin Company was performing four separate and distinct jobs; namely, (1) design and engineering of a project; (2) construction of a project; (3) the furnishing of construction equipment needed for the performance of the construction work; and (4) the fabrication of structural steel. Mr. [redacted] further stated that The Austin Company had performed engineering services for the Government, at a cost to the Government which is much less than it would have paid had it entered into separate engineering contracts for the same work. Mr. [redacted] stated he brought these points out because the Board had renegotiated them on a yearly basis instead of on a completed contract basis and pointed out the fact that in the year 1943 the petitioner realized a profit on a cost plus fixed fee contracts of .86 per cent before taxes and before renegotiation.

[redacted] replied that at the time renegotiation was first instituted, they, The Austin Company, could have made an agreement with the Price Adjustment Board as to how they wished their renegotiations to be handled and at this late date nothing further could be done about this matter. b6 b7C

[redacted] replied that he was of the opinion that the court should take into consideration their profits for the year 1943, in which year they were completing some of the continuing contracts and upon which they received no additional fee. [redacted] stated that the FBI would check the firm's 1943 records and submit them. However, [redacted] stated he did not think that the year 1943 would be taken into consideration. b6 b7C

On March 23, 1949 Special Agent [redacted] (A) and the writer contacted [redacted] at The Austin Company, located at 16112 Euclid Avenue, East Cleveland, Ohio. At this time [redacted] stated that The Austin Company had reached the following decision: namely, that the April 28, 1942 break-down would be waived and that all contracts, both Army and Navy, cost plus fixed fee and lump sum, would be considered on a yearly basis. Secondly, that in regard to the July 1, 1943 break-down for the Defense Plant Corporation, The Austin Company would stand and rise or fall upon the validity of a recent court decision. [redacted] then made available to agents various work sheets, certified statements and Austin Company statements of The Austin Company. No books of original entry were available at the Cleveland headquarters for the sales of the various divisions located throughout the country of The Austin Company. [redacted] stated that the divisions sent in a balance sheet and profit and loss statement monthly and yearly. This information was transposed into work sheets and then into the General Office's books and records. These General Office's books and records are control accounts only. b6 b7C

INVESTIGATIVE OUTLINE

The investigative program in progress and contemplated is as follows:

A. General - Fiscal years 1936 through 1943, inclusive:

1. Prepare trial balance for the books;

2. Reconcile profit or loss per books and Federal income tax returns;

3. Prepare consolidated balance sheets and profit and loss statements.

B. Year end of December, 1941:

1. Sales:

(a) Segregate sales between DPC, Army and Navy, Dow Chemical Company, cost plus a fixed fee and lump sum contracts and non-renegotiable sales;

2. Cost of sales:

(a) Allocate expenses between DPC, Army and Navy, cost plus a fixed fee, lump sum contracts and non-renegotiable sales;

(b) Test check repair and maintenance charges;

(c) Analyze depreciation and amortization.

3. General administrative expenses:

(a) Prepare comparative schedules for the years 1941, 1942 and 1943;

(b) Analyze any expenses which appear excessive on a comparative basis.

Examination for the years 1942 and 1943 will follow the same outline as set forth above.

WORK PERFORMED

Sales have been analyzed between the DPC, cost plus a fixed fee and lump sum for the years 1941 and 1942. Sales have also been analyzed for the Army and Navy contracts, cost plus a fixed fee and a lump sum. Other portions of the work outlined above are in progress at the time of this report.

The following Special Agents (A) are engaged in this investigation:

[redacted]
JOHN K. BUSTER

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CV F. O.
46-783

It is estimated that it will require approximately thirty days to complete this investigation.

- PENDING -

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D.C. CV FILE NO. 46-783

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
CLEVELAND, OHIO	5/13/49	4,6,8,12,14,15,19,20,25-28; 5/2,6,9,11,12,13/49	JOHN K. BUSTER (A) EDS

TITLE	CHARACTER OF CASE
THE AUSTIN COMPANY JAMES V. FORRESTAL SECRETARY OF THE NAVY OF THE UNITED STATES TAX COURT DOCKET NO. 104 - R	RENEGOTIATION ACT

SYNOPSIS OF FACTS:

PROGRESS REPORT

- P -

Reference: Report of Special Agent (A) JOHN K. BUSTER, Cleveland, Ohio dated April 5, 1949.

Details: During the period covered by this report the following work has been completed:

Sales have been analyzed on the Dow Chemical Company contract for the years 1941 and 1942.

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Trial balance sheets and profit and loss statements have been prepared for the years 1941 and 1942.

Allocation and analysis of expenses for the year 1941 have been made on all contracts.

Other phases of the work outlined in referenced report for the years 1941, 1942 and 1943 are in progress at the date of this report.

It is estimated that it will require approximately 20 days to complete this investigation.

- PENDING -

APPROVED AND FORWARDED: R. J. Albertson SPECIAL AGENT IN CHARGE

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI

DATE: August 17, 1949

FROM : SAC, Cleveland

SUBJECT: THE AUSTIN COMPANY v. JAMES V. FORRESTAL, SECRETARY OF THE NAVY OF THE UNITED STATES
TAX COURT DOCKET NO. 104-R
RENEGOTIATION ACT
Bureau File No. 46-14692

Rebulet August 12, 1949.

This report is being prepared for dictation. A report should reach the Bureau no later than September 1, 1949.

jkb:ejs
46-783

RECORDED - 101 46-14692-6

17 AUG 19 1949

61 AUG 24 1949

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI

DATE: September 7, 1949

FROM : SAC, CLEVELAND

REGISTERED MAIL

SUBJECT: THE AUSTIN COMPANY v.
JAMES V. FORRESTAL,
SECRETARY OF THE NAVY OF THE UNITED STATES
TAX COURT DOCKET NO. 104-R,
RENEGOTIATION ACT
(Bureau File 46-14692)

1-1

Bulky exhibit in referenced matter is being forwarded via Railway Express under signature.

JKB:mlk
46-783

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EX-11

53 SEP 14 1949

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C.

FILE NO. 46-783

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
CLEVELAND, OHIO	9/8/49	3/23-31;4/6,12,14,15,19,20,25;28;5/2,8,9,11-13;7/1,5-8,13,14,20,25,27-29;8/1-3,5,12,15,17,19,22,24,25-30/49	JOHN K. BUSTER (A) mlk

TITLE	CHARACTER OF CASE
THE AUSTIN COMPANY v. JAMES V. FORRESTAL, SECRETARY OF THE NAVY OF THE UNITED STATES, TAX COURT	RENEGOTIATION ACT

DOCKET NO. 104-R

ACCOUNTING REPORT

SYNOPSIS OF FACTS:

Renegotiation of the Austin Company for the fiscal year ended December 31, 1941 by Navy Price Adjustment Board resulted in determination of Excess Profits in amount of $400,000, and for the year ended December 31, 1942 of $2,000,000. The Austin Company filed a petition for redetermination of excess profits. Company representatives stated that they would waive the April 28 renegotiable break-off date; and likewise would stand by the court decision in the Warner & Swasey Company case as to the July 1, 1943 date for DPC contracts. Sales were broken down into three classifications: Lump Sum, CPFF and Dow Chemical. Examination of company's records shows an increase of approximately $3,000,000 in renegotiable sales for 1941. This amount caused by the company's waiver of the April 28 date. There is no change in the 1942 sales. $209,875 was disallowed as expenses in 1941 and $62,421 in 1942. The later two disallowances are final as the company's profits for 1941 and 1942 have been settled by the Bureau of Internal Revenue.

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- RUC -

References:

Bureau file 46-14692
Bureau letter to Cleveland dated February 8, 1949.
Report of Special Agent EDWARD J. ARMBRUSTER (A) dated June 4, 1948 at Washington, D. C.
Report of Special Agent JOHN K. BUSTER (A) dated April 5, 1949 at Cleveland, Ohio.

APPROVED AND FORWARDED: R. J. Abbaticchio SPECIAL AGENT IN CHARGE

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CC-150

BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

To: COMMUNICATIONS SECTION

FEBRUARY 9, 1950

Transmit the following message to: SAC, CLEVELAND URGENT

AUSTIN COMPANY, ET AL, TAX COURT DOCKET NO. ONE NAUGHT FOUR DASH R, RENEGOTIATION ACT, [redacted] TO WHOM THIS CASE IS ASSIGNED, AS WELL AS THE CASE ENTITLED QUOTE HUGHES KEENAN COMPANY V. WCPAB, TAX COURT DOCKET NO. SIX FOUR NINE DASH R UNQUOTE, WISHES TO CONFER WITH SAA JOHN K. BUSTER IN HIS OFFICE, ROOM THREE SEVEN THREE FOUR, DEPARTMENT OF JUSTICE BUILDING, WASHINGTON, D. C., AT NINE THIRTY A.M., FEBRUARY FIFTEEN, NEXT. CONFERENCE TO LAST APPROXIMATELY THREE DAYS. ADVISE IF SAA BUSTER UNABLE TO ATTEND CONFERENCE.

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HOOVER

AIM:MJP
46-14692
cc - 46-14284

SA Buster conducted the entire accounting investigation in both cases. The Austin Company case reveals excessive profits for the year ending December 31, 1941 of $400,000 and for the year ending December 31, 1942 of $2,000,000. In the Hughes Keenan excessive profits amounted to $860,000. Extensive accounting investigation was conducted in both and the report on the latter case was submitted February 25, 1949 and on the former case on September 8, 1949. Both reports prepared by SA Buster. This agent not due for In-Service until April 19, 1950.

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EX-15

46-14692-9

FEB 10 1950

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

TELETYPE

SENT VIA _____ M Per _____

UNRECORDED COPY FILED IN 46-14692

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"THE ATTORNEY GENERAL"
AND REFER TO
INITIALS AND NUMBER

DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

HGM:FNC:leb

Tax Ct. No. 104-R

January 27, 1950

MEMORANDUM FOR MR. J. EDGAR HOOVER, DIRECTOR
FEDERAL BUREAU OF INVESTIGATION

Re: The Austin Company v. James Forrestal; et al.; Tax Court Docket No. 104-R.

Reference is made to the accounting report prepared by Special Agent John K. Buster (A), dated September 8, 1949.

The above-entitled case has been set for trial before a division of the Tax Court sitting in Cleveland, Ohio, beginning March 20, 1950. [redacted] desires to confer with Special Agent Buster relative to the above-entitled report.

[redacted] expects to be in Detroit, Michigan, on other renegotiation matters for a period of a week to ten days, beginning [redacted] Upon completing his work in Detroit, Michigan, [redacted] plans to go to Cleveland, Ohio, for the purpose of conferring with Special Agent Buster.

It would be appreciated if you would inform Special Agent Buster that [redacted] will advise him from Detroit as to the date on which [redacted] expects to arrive in Cleveland, Ohio.

H. G. Morison,
Assistant Attorney General.

[redacted]

Tel to Clev 2-9-50 PM

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EX-9

46-14692-10

FEB 10 1950

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INITIALS AND NUMBER

DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

HGM:HFL:leb

February 9, 1950

Tax Ct. Nos. 104-R, 649-R

MEMORANDUM FOR MR. J. EDGAR HOOVER, DIRECTOR
FEDERAL BUREAU OF INVESTIGATION

Re: The Austin Company v. James Forrestal, et al.; Tax Court Docket No. 104-R.
Hughes-Keenan Company v. War Contract Price Adjustment Board; Tax Court Docket No. 649-R.

[redacted]

It is requested that Special Agent John K. Buster (A) of your Cleveland Office be made available for conferences, respecting the above-entitled cases, in [redacted] office, Room 3734, Department of Justice, beginning at 9:30 a.m. on Wednesday, February 15, 1950, and lasting for approximately three days.

H. G. Morison,
Assistant Attorney General.

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FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

CC-150

To: COMMUNICATIONS SECTION. MARCH 1, 1950 URGENT

Transmit the following message to: SAC, CLEVELAND

AUSTIN COMPANY VS SECRETARY OF NAVY, TAX COURT DOCKET NUMBER ONE ZERO FOUR DASH R, RENEGOTIATION ACT. [redacted] b6 b7C

[redacted] WILL CONTACT SPECIAL AGENT (A) JOHN K. BUSTER, CLEVELAND OFFICE, EIGHT THIRTY A.M. WEDNESDAY MARCH EIGHT NEXT. WILL ALSO CONFER WITH SPECIAL AGENT (A) CARLTON V. BRODEN AT THE SAME TIME IN THE CASE ENTITLED, QUOTE LINCOLN ELECTRIC COMPANY UNQUOTE. SUTEL IN THE EVENT EITHER AGENT WILL BE UNAVAILABLE WEDNESDAY MARCH EIGHT.

HOOVER

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EX-93

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FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE
COMMUNICATIONS SECTION

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SAC, Cleveland

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May 3, 1950

The Austin Company v
Secretary of Navy
Tax Court Docket No. 104-R
Renegotiation Act

89 - 43

Reference is made to your letter dated April 26, 1950, transmitting three accounting work sheets pertaining to the above-captioned matter.

In accordance with your request, photostatic copies have been made and they are being forwarded together with the originals to your office under separate registered cover.

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI

DATE: April 26, 1950

FROM : SAC, Cleveland - Attention: Mechanical Section

SUBJECT: THE AUSTIN COMPANY v
SECRETARY OF NAVY
Tax Court Docket No. 104-R
RENEGOTIATION ACT

Enclosed are three accounting work sheets prepared by the Cleveland Division.

It is requested that 27 copies of each sheet be prepared in positive photostat form. It is to be noted that two of the columns of these accounting sheets are blank, and it is requested that this blank portion be included in the positive photostats.

The original documents as well as all positive photostat copies are to be returned to the Cleveland Division.

JKB:mak
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Enclosures

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SAC, Cleveland

May 5, 1951

Director, FBI

THE AUSTIN COMPANY v.
SECRETARY OF NAVY, Tax Court Docket No. 104-R
RENEGOTIATION ACT

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The Claims Division has advised that a conference has been arranged between the attorney and the accountant for the above-named petitioner to be held at the office of Mr. John F. Wolf, Claims Division, Room 3738, at 10 A.M. on May 21, 1951. The purpose of this conference is to attempt to stipulate the accounting data in this case.

EX-123

Assistant Attorney General Holmes Baldridge has requested that SA John K. Buster be present in Washington on May 18, 1951, in order to thoroughly review the accounting data to be stipulated with Mr. Wolf. It was stated that Buster's services would probably not be required beyond May 21, 1951.

Sutel if SA Buster will be unable to attend this conference.

46-14692
GWC:DC

SA Buster conducted the entire accounting investigation in this case which involves excessive profits for 1941 of $400,000 and for 1942 of $2,000,000. Claims Division Attorney Wolf telephonically advised that it was necessary for SA Buster to be present prior to the conference in order that he could prepare additional accounting schedules which are necessary.

GWC

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ADDRESS REPLY TO
"THE ATTORNEY GENERAL"
AND REFER TO
INITIALS AND NUMBER

DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

AHB:JFW:ear
Tax Court
Docket No. 104-R

May 2, 1951

MEMORANDUM FOR MR. J. EDGAR HOOVER
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

Re: Austin Company v. James V. Forrestal,
Secretary of the Navy
Docket No. 104-R

Reference is made to the report of Agent John K. Buster, dated September 8, 1949, relating to the above-indicated case.

A conference had been arranged between the attorney and the accountant for the above-named petitioner to be held in the office of Mr. John F. Wolf, in the Department of Justice, Room 3738, at 10:00 a.m., on May 21, 1951. The purpose of this conference is to attempt to stipulate the accounting data in this case.

It is requested that Agent Buster be directed to be present in Washington for the above-mentioned conference. In order to properly prepare for the work of this conference it is further requested that Agent Buster be directed to meet with Mr. Wolf on May 18, 1951, in order to thoroughly review the position of the Department regarding the accounting data to be stipulated. It is not thought at this time that Agent Buster's services will be required beyond May 21, 1951.

EXPEDITE PROCESSING
MAY 4 1951

Holmes Baldridge
HOLMES BALDRIDGE
Assistant Attorney General

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EX-123

Memo to Mr. Hoover
5-5-51
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SAC, Cleveland

June 7, 1951

Director, FBI

THE AUSTIN COMPANY v. JAMES V. FORRESTAL,
SECRETARY OF THE NAVY
TAX COURT DOCKET NO. 104-R
RENEGOTIATION ACT

There are being enclosed herewith two copies of a self-explanatory memorandum dated May 25, 1951, which was received from Assistant Attorney General Holmes Baldridge.

A report covering the requested additional investigation should be submitted to reach the Bureau no later than July 15, 1951.

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ADDRESS REPLY TO
"THE ATTORNEY GENERAL"
AND REFER TO
INITIALS AND NUMBER

DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

AHB:JFW:ear
Tax Court Docket
No. 104-R

May 25, 1951

MEMORANDUM FOR MR. J. EDGAR HOOVER
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

Re: The Austin Company v. James V. Forrestal,
Secretary of the Navy
Tax Court Docket No. 104-R

Reference is made to our memorandum addressed to you dated May 2, 1951, requesting that Agent John K. Buster be present in Washington for a conference on May 21, 1951.

Those present at the above-referred to conference were [redacted] the Austin Company's [redacted] Mr. L. P. Gilmore, vice president and accountant for the Austin Company, Agent John K. Buster, and Mr. John F. Wolf, attorney, Department of Justice.

At this conference the petitioner's attorney agreed to waive some of the issues set forth in its petition. However, in order to properly try the remaining issues it is necessary that the following accounting work be done.

1. It is requested that Agent Buster prepare a schedule setting forth the amounts in the years 1940, 1941 and 1942 of equipment which was installed by the petitioner for the Dow Chemical Company.

2. Since the petitioner will contend that contract NO y-4210 is severable, it is requested that Agent Buster prepare a breakdown by [redacted] projects showing the estimated and actual costs, the amount of the fees paid and the time of payment.

3. Since the petitioner agreed to the disallowances of costs made by the Internal Revenue Bureau for the years in question, it is requested that Agent Buster prepare profit and loss statements for each of the years adjusted to conform with the Internal Revenue Bureau's disallowances.

4. Since it now appears that the petitioner's main contention is that it was not allowed to retain a reasonable profit on its engineering work, its structural steel fabrication, and its equipment rentals, it is requested that Agent Buster analyze the renegotiable contracts to determine (a) the total amount of billing for engineering; (b) the amount that petitioner contends it should have received for this work; and

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(c) the amount that it was left for engineering work after renegotiation. It is also requested that an analysis be made to determine the amount of structural steel fabricated by petitioner's Bliss mill for Government contracts and, if possible, to determine the amount of profits the petitioner retained on this work after renegotiation. In connection with petitioner's contention regarding equipment rentals it is requested that Agent Buster procure a tool manual from the petitioner and determine insofar as possible the basis upon which the rates set forth therein were arrived at, i.e., is it a bare cost of ownership rental or does it provide for a profit margin. The type, age and rental rate of the equipment used on Government contracts, as well as any other pertinent facts, should be ascertained.

The aggregate of the determinations of excessive profits involved in this case is $2,400,000. It appears that the proceedings before the Tax Court will take place at the first calendar to be set in Cleveland, Ohio this Fall. It is therefore requested that Agent Buster be directed to complete the requested work by August 1, 1951.

Holmes Baldridge

Holmes Baldridge
Assistant Attorney General

FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

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To: COMMUNICATIONS SECTION.

Transmit the following message to: JULY 26, 1951 DEFERRED

SAC, CLEVELAND

FC

V. AUSTIN COMPANY V. SEC. OF NAVY, TAX COURT DOCKET ONE HAUGHT FOUR DASH R DASH RENEGOTIATION ACT. RESULET JUNE SEVEN LAST. SUTEL NAME REPORTING AGENT AND DATE REPORT SUBMITTED.

HOOVER

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FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE
COMMUNICATIONS SECTION

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CV. F. O.
46-783

NAVY CONTRACT - NOY 4210

	Sales	Cost	Profit
1940	$ 1,899,029.93	$ 1,816,249.42	$ 82,780.51
1941	12,004,066.38	11,621,313.67	382,752.71
1942	38,236,228.22	37,311,655.45	924,572.77
1943	8,653,982.45	8,210,172.90	443,809.55
1944	215.97	(111.44)	327.41
1945	296.02	296.02	
Total	$60,793,818.97	$58,959,576.02	$1,834,242.95

There is included in renegotiable business for the years 1941 and 1942 sales in the amount of $50,240,566.28 and costs of $48,932,969.12 and a profit or fee paid by the Navy to the petitioner of $1,307,325.48 as follows:

	Sales	Cost	Profit
1941	$12,004,066.38	$11,621,313.67	$ 382,752.71
1942	38,236,228.22	37,311,655.45	924,572.77
	$50,240,566.28	$48,932,969.12	$1,307,325.48

However, considering that the petitioner will contend that this contract be severable, the renegotiation on this contract would then be as follows:

	Sales	Cost	Profit
1942	$38,236,228.22	$37,311,655.45	$924,572.77
Less billings to April 28, 1942	6,484,452.08	6,315,828.74	168,623.34
	$31,751,776.14	$30,995,826.71	$755,949.43

Petitioner if upheld would retain the profit for 1941 of $382,752.71 and for 1942 of $168,623.34 for a total retained profit of $551,376.05.

This contract was converted in 1943, according to Mr. GILMORE, from a Cost Plus Fixed Fee to a lump sum contract. The petitioner

performed engineering as well as construction on this contract. Upon the Navy's instructions, only one payroll was maintained, hence a segregation between construction costs and engineering costs could not be obtained. The Navy furnished equipment and material was furnished from other suppliers. There were no advances on this contract.

PETITIONER'S ADJUSTMENT OF PROFIT PER INTERNAL REVENUE ADJUSTMENTS

The reporting Agent reviewed the Internal Revenue file concerning petitioner's profits per that Bureau for the year 1941. [redacted] Bureau of Internal Revenue, Hanna Building, Cleveland, Ohio, made this file available. b6 b7C

It is to be noted that this return and settlement for the year 1941, included the years 1939, 1940 and 1941. There appears below the adjusted return as obtained from [redacted]

1941

Net Income Per Return		$4,479,781.66
Additions to Income		
Excessive Compensation	$286,075.93	
Real Estate Taxes	1,220.80	
Dividend Credits	163,784.00	
Legal Expense	4,722.50	
Insurance	9,589.05	
Federal Capital Stock Tax	(52,500.00)	
Net Additions		412,892.28
		$4,892,673.94
Deductions Allowed		
1940 Return - Excessive Compensation	$208,807.96	
1941 Return - Excessive Compensation	203,016.98	
		411,824.94
Reconcilled per Renegotiation Schedule		$4,480,849.00

CV. F. O.
46-783

The following deductions were made for the year 1941 and these disallowances have been added to the net profit as per Note A of the schedule for renegotiation for year 1941.

	Dividend Credits	$163,784.00
	Real Estate Tax	1,220.80
	Excessive Compensation	83,058.95
	Legal Expense	4,722.50
	Insurance	9,589.05
		$262,375.30
b6 b7C	Credit-Capital Stock Tax	52,500.00
		$209,875.30

[redacted] also furnished the file concerning the petitioner's income in 1942. This schedule is as follows:

	1942		
Income Per Return			$6,989,430.01
Additions to Income	$ 68,420.79		
Excessive Compensation	106,915.00		
Capital Stock Tax	50,000.00		
Real Estate Tax	365.77		
Legal Expense	19,000.00		
		$244,701.56	
Add: Amended Return			
Executive Compensation		94,860.00	
			349,561.56
			$7,338,991.57
Allowed by Conferres			
Dividend Credits	38,805.42		
Legal Expense	19,000.00		57,805.42
Return - Per Conferres			$7,176,326.15

CV. F. O.
46-783

According to [redacted], petitioner and conferres did not agree, so this matter went into the tax court in August, 1949. Petitioner was contesting $29,613.37 of compensation still unallowed and the Dividend Credits of $106,915. As a result of this meeting in the tax court, the following adjustments were made: b6 b7C

Disallowance Salaries	$ 68,420.79
Less: Adjustment-Conferres	38,805.42
Net Disallowed - RAR	$ 29,615.37
Add: Amended Return	94,860.00
	$124,475.37

RAR - Disallowance	$ 29,615.37
Tax Court Dividend Credit	106,915.00
	$136,530.37
Allowable Deductions	124,475.37
Disallowance	$ 12,055.00
Bonus not on Original Return	94,860.00
Net Disallowance	$106,915.00

Return Per Conferres	$7,176,326.15
Less: Allowable Deductions	124,475.37
	$7,051,850.78

This statement effects the 1942 profit as follows:

Compensation		$ 68,420.79
Dividend Credit		106,915.00
Real Estate Tax		365.77
Legal Expense		19,000.00
Capital Stock Tax		50,000.00
Total Disallowed		$244,701.56
Allowed	$ 47,805.42	
	124,475.37	
		182,280.79
		$ 62,420.77
Less: Insurance Pre-paid		9,589.05
Net adjustment made to Income		$ 52,831.72

CV. F. O.
46-783

The amount of $94,860 as executive compensation had been claimed on an amended return and this amount had not been charged to expenses for the year 1942. The net disallowance of $52,831.72 has been added to the net profit as per Note A of the schedule of renegotiation for 1942.

BILLINGS FOR ENGINEERING, BLISS MILL AND EQUIPMENT RENTALS

The total amounts of billings for engineering for 1941 and 1942 are as follows:

1941

	Lump Sum	Fixed Fee	Dow	Total
Sales	$37,759.62	$1,235,956.19	$11,822.00	$1,285,537.81
Costs	25,304.95	944,994.33	7,535.00	977,834.28
Gross Profit	$12,454.67	$ 290,961.86	$ 4,287.00	$ 307,703.53
Per cent to Engineering Sales	$32.98	$23.54	$36.26	$23.94

1942

	Lump Sum	Fixed Fee	Dow	Total
Sales	$87,902.41	$4,920,509.92	$25,064.00	$5,033,476.33
Costs	55,826.78	3,930,664.83	18,261.00	4,004,752.61
Gross Profit	$32,075.63	$ 989,845.09	$ 6,803.00	$1,028,723.72
Per cent to Engineering Sales	$36.49	$20.12	$27.14	$20.44

CV. F. O.
46-783

Petitioner contends that the usual fee on engineering in a lump sum contract is cost plus 50 per cent the fee. According to Mr. GILMORE, in a cost plus fixed fee contract the charge varies and he could not definitely state what it would be. The petitioner will contend that if the engineering had been obtained elsewhere and the Austin Company did the construction, only the fees charged the Government would have been the existing fees of the trade. The total amount of billings for structual steel fabricated by Bliss Mill for Government contracts, is as follows:

1941

	Lump Sum	Fixed Fee	Dow	Total
Sales	$47,032.24	$85,576.42	0	$132,608.66
Costs	37,659.56	69,812.80	0	107,472.36
Gross Profit	$ 9,372.68	$ 1,576.62	0	$ 25,136.30
Per cent to Bliss Mill Sales	$19.93	$18.42	0	$18.95

1942

	Lump Sum	Fixed Fee	Dow	Total
Sales	$106,031.55	$805,832.22	$2,232.00	$914,095.77
Costs	76,878.79	552,053.40	1,651.00	630,583.19
Gross Profit	$ 29,152.76	$253,778.82	$ 581.00	$283,512.58
Per cent to Bliss Mill Sales	$27.49	$31.49	$26.03	$31.02

Petitioner will contend that they are entitled to a profit on structual steel. They will contend that they operate four departments; Construction, Engineering, Structual Steel, and Equipment Rentals. Had the Government purchases steel on the outside, the price they would have paid would have included a margin of profit. Strict accounting theory states that true costs reflect only the cost of material, direct labor, and manufacturing overhead. However, in large concerns having various departments, it is not uncommon for them to bill sales to their own concern at a price to include a profit if told they were selling to any other customer. The Government was charged with the following rentals on equipment:

1941

	Lump Sum	Fixed Fee	Dow	Total
	$13,726.68	$44,842.87	$5,948.00	$64,517.55
Per cent to Construction Sales	.699	.149	.125	.175

1942

	Lump Sum	Fixed Fee	Dow	Total
	$23,498.57	$254,896.94	$12,070.00	$290,465.51
Per cent to Construction Sales	.575	.113	.151	.122

Second party equipment rentals or rentals for the use of own equipment are included in job costs. Such charges are, however, restored to profits before deducting operating expenses. Depreciation and other

expenses applicable to this owned equipment appeared to be included in operating expenses. The company was unable to readily segregate the expenses directly applicable to second party equipment rentals. The major item of such expense is depreciation, which is charged to operating expense. A portion of repairs and maintenance included in operating expense also applies to second party rentals. An aggregate depreciated value of all machinery, equipment and tools, of $206,147 at December 31, 1942, and amount $200,391 represents rentable equipment, the difference being largely the depreciated value of Bliss Mill equipment, the exact amount of which is not available. The total amounts of depreciation included in operating expenses for machinery, equipment and tools, therefore, are probably slightly greater by reason of such (Bliss Mill equipment) while the repairs and maintenance, in addition, include items applicable to building, furniture and fixtures. The original cost of rentable equipment is not readily available, nor is it reported for tax purposes.

Purchases of rentable equipment were as follows:

1939	$ 29,520.00
1940	284,730.00
1941	371,475.00
1942	86,215.00
	$771,940.00

Depreciated value at December 1, 1942, was $200,391.

The company's handling of small tools, which are generally less than $300. per unit, is set forth in the manual. It is the consistent practice to carry a reserve in the amount of the small tools so that at the end of the year they are fully reserved and have no net book value. On all jobs, except those where tools are purchased for the account of the owners of the project being constructed and become his property, a charge for small tools is made to job costs for $\frac{1}{4}$ of 1 per cent of the contract price. A tool manual was obtained from Mr. GILMORE.

Mr. GILMORE stated that this is a revised tool manual and that there are not available the tool manual used during years 1941 and 1942. The charges in the tool manual are determined by prices set by the company.

These include depreciation and a margin of profit to cover overhead. The rates used, according to Mr. GILMORE, are generally lower than the OPA or AGC rates often used by other contractors. The manual provides that

1. No rental shall be charged to a particular contract and job after the total continuous rental of one piece of equipment reaches 75 per cent of cost.

2. Rates are based on a five day week, eight hour day operation and are increased 50 per cent for double shift operation and 100 per cent for three shift operation.

3. Rental is charged from the date when equipment is first put to use and continues until the date it is no longer required, whether or not it is removed from the job.

4. Maintenance and repairs, which do not exceed 2 per cent of this price are charged to job costs. Items in excess of 2 per cent are charged to operating expenses (apparently none is capitalized and there has been no objection by the Bureau of Internal Revenue of the amounts expensed). After, however, continuous rental charged reaches 75 per cent of cost limitation described above, all repair, replacement and maintenance costs are charged to job costs.

An attempt was made to determine what equipment was used on the construction job performed on the Government contracts, but this information was not obtainable.

The following schedule reflects profit before and after a $400,000 adjustment to fixed fee contracts:

CV. F. O.
46-783

1941

	Lump Sum	Fixed Fee	Non-renegotiable	Total
Sales before Adjustment	$1,964,719.59	$34,880,418.10	$49,989,929.75	$86,835,067.44
Profit before Adjustment	145,905.33	957,272.73	3,377,670.94	4,480,849.00
Per cent to Sales	7.43	2.74	6.76	5.16
Sales after Adjustment	$1,964,719.59	$34,480,418.10	$49,989,929.75	$86,435,067.44
Profit after adjustment	145,905.33	557,272.73	3,377,670.94	4,080,849.00
Per cent to Net Sales	7.43	1.62	6.76	4.72

The following schedule reflects profits before and after the adjustment of $200,000 to lump sum contracts and $1,000,000 to the fixed fee contracts:

1942

	Lump Sum	Fixed Fee	Non-renegotiable	Total
Sales before Adjustment	$4,083,073.78	$233,122,639.50	$20,745,139.13	$257,950,852.41
Profit before Adjustment	456,360.60	4,861,255.18	1,734,235.00	7,051,850.78
Percent to Sales	11.18	2.09	8.36	2.73
Sales after Adjustment	3,883,073.78	231,322,639.50	20,745,139.13	255,950,852.41
Profit after Adjustment	256,360.60	3,061,255.18	1,734,235.00	5,051,850.78
Per cent to Net Sales	6.60	1.32	8.36	1.97

CV. F. C.
46-783

ENCLOSURES TO BUREAU: Work papers of SA JOHN K. FUSTER.

1 tool manual of Austin Company.

- REFERRED UPON COMPLETION TO THE OFFICE OF ORIGIN -

CV. F. O.
46-783

REFERENCES: Bulet to Cleveland 6/7/51.
Bureau teletype to Cleveland, 7/26/51.
Cleveland teletype to Bureau, 7/26/51.
Bufile 46-14692

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI

DATE: August 4, 1951

FROM : SAC, Cleveland

SUBJECT: THE AUSTIN COMPANY v. JAMES V. FORRESTAL, SECRETARY OF THE NAVY OF THE UNITED STATES, TAX COURT DOCKET NO. 104-R
RENEGOTIATION ACT
(Bufile 46-14692)

ATTENTION: A. ROSIN, Assistant Director

There is enclosed a report of SA JOHN K. BUSTER, dated August 4, 1951.

JKB:ncm/jlg
46-783

Encls.

EXPEDITE PROCESSING

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EX-55

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FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C. FILE NO. 46-783

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
CLEVELAND, OHIO	8/4/51	6/15,25-29; 7/1-31;8/1,2/51	JOHN K. BUSTER (A)

TITLE
THE AUSTIN COMPANY v. JAMES V. FORRESTAL, SECRETARY OF THE NAVY OF THE UNITED STATES, TAX COURT DOCKET NO. 104-R

CHARACTER OF CASE
RENEGOTIATION ACT

SYNOPSIS OF FACTS:

ACCOUNTING REPORT

Dow contracts examined and schedule set forth for amount of equipment installed. All billings for years 1940 through 1945 examined. Navy contract NOY 42-10 and renegotiation portion set forth. Petitioner has made final settlement with Bureau of Internal Revenue and adjustments have been made to profit. All contracts handled by petitioner were analyzed and percentage of profits on engineering, Bliss Mill and equipment rentals calculated. Tool manual obtained.

- RUC -

DETAILS:

AT CLEVELAND, OHIO

This investigation is predicated upon a Bureau Letter, dated June 7, 1951, forwarding a memorandum from Assistant Attorney General HOLMES BALDRIDGE. This memorandum requested that the following investigation be conducted:

1. In connection with its sales to the Dow Chemical Company, petitioner agreed to stipulate the dollar amount of the equipment which it installed for Dow Chemical

ENCLOSURE

APPROVED AND FORWARDED: R. J. Abbatiello Special Agent in Charge

DO NOT WRITE IN THESE SPACES

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2 - Cleveland

EX. - 55

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Company. Petitioner, however, will contend that none of the equipment is renegotiable. It is requested that a condensed schedule of the calculations for determining the amount of equipment installed by the petitioner for Dow Chemical Company during the years 1941 and 1942 be prepared.

2. Petitioner will contend that contract NOY 42-10 is severable. Respondent will contend that it is one contract. It is requested that the entire contract be checked to determine the amount of it that is renegotiable and also analyze the contract to determine the estimated and actual cost and the fees paid by the Navy under this contract.

3. Petitioner states that all executive sales were allowed as reasonable and necessary by the Internal Revenue Bureau in 1942, however, in 1941 it appears that approximately $83,000 of executive compensation was disallowed as excessive by Internal Revenue. It is requested that your Agent incorporate, in accordance with agreements with petitioner's attorney, the disallowances made by Internal Revenue in connection with real estate, taxes, dividend credits, legal expenses, and so forth and the profit and loss statement of the Company for the years 1941 and 1942. It is agreed that they will stipulate that no disallowance was made in the figures which the Board used in determining excessible profits. They will contend, however, that they were told that disallowances in the amount stated in paragraph 34 of their petition were made by the Board before determining excessive profits.

4. The contention set forth in paragraph 35 of the petition appears to be the main basis for petitioner's appeal, the contention being that after renegotiation it was not allowed a reasonable amount of profit on its engineering work, structual steel fabricated in its Bliss Mill and the construction equipment rentals. It is requested that an Agent analyze the contracts to determine the total amount of billings for engineering and attempt to determine the amount that petitioner contends it should have received for this work. He will also analyze the contracts to determine the amount of structual steel fabricated by Bliss Mill for Government contracts and ascertain whether or not the determination of excessive profits leaves the petitioner with amount of 10 per cent profit on its Bliss Mill operation. It is also requested that an Agent procure a tool manual from the petitioner and determine insofar as possible the basis upon which the rates set forth therein were arrived at, i.e., is it a cost of ownership rental or does it contend a profit margin and the number of months in a year which are considered a full rental year.

CV. F. Q.
46-763

METHOD OF ACCOUNTING

The books of the petitioner are kept on an accrual basis, separate accounts being established for each construction project. Income on long term contracts is taken up on basis of estimates of completion. Fees on Cost Plus Fixed Fee contracts are generally taken up in income as approved and passed for payment by the contracting officer or owners representatives.

Separate records are maintained for the principal departments of the company; namely, Construction, Engineering and Bliss Mill. In addition, costs of the individual contracts are charged with second party equipment rentals or rentals for the use of the company's own equipment. The method of booking the intra-company operations and equipment rental may be summarized as follows:

1. Construction costs include, at billing price, all intra-company operations and second party equipment rentals;

2. Such billing price for Engineering is generally cost plus 50 per cent on lump sum work; for Bliss Mill is based on competitive prices, and for second party equipment rentals is in accordance with a company manual (small tools are generally charged at $\frac{1}{4}$ of 1 per cent of contract price) which rate appears to be below OPA and AGC rates;

3. The gross profits of the Engineering Department and of Bliss Mill are picked up as other income while the charges for the use of the company's own equipment, being a statistical calculation, are also restored to gross profit.

There follows the profit and loss statement for each of the years of 1941 and 1942, showing a breakdown between renegotiable and non-renegotiable business:

CV F. O.
46-783

Details: This investigation is predicated upon memorandum of Assistant Attorney General H. G. MORISON dated January 31, 1949, which was transmitted to this office with Bureau letter dated February 8, 1949. The memorandum of Mr. MORISON outlines the desired investigation in this case, and as the Bureau and the Office of Origin have copies of this memorandum, it will not be quoted in this report.

HISTORY OF THE AUSTIN COMPANY

The Austin Company is located at 16112 Euclid Avenue, East Cleveland, Ohio. [redacted] originally established a contracting business and carpenter shop in Cleveland in 1878. The company was incorporated under the laws of the State of Ohio in 1904 as the [redacted] and Son Co., which name was changed to The Austin Company in 1916. b6 b7C

The principal work performed has been the construction and design of industrial plants, in which field the company secured its first large contract. Construction along, design and engineering alone, or a combination thereof are the principal services offered customers. Some maintenance work has also been handled under contract. The large expansion of the company would appear to be due in part to its development of standardized steel frame designs for one story factory buildings. The four basic designs introduced in 1914 subsequently were increased to ten.

As an outgrowth of the use of structural steel in quantity, the company established its own steel fabricating shop in 1920 to stock the sizes used. By 1930, the company entered, through a division known as Bliss Mill, the structural steel field on a commercial basis in order to supply as much as possible of the company's requirements. The company's interest in, and development of, "controlled conditions" plants (which completely control light, humidity, noise, heat, etc.) began in the late 1920's and marks another development of large size which undoubtedly contributed much to the growth of the subject company into one of the leading construction firms in the nation.

In 1915, the company decided to establish branch offices to expedite the handling of contracts in various sections of the country. It now is a nation-wide contractor with seven district offices, the main office being in East Cleveland. Under the district office system, all

WFO 46-1929

DETAILS: AT WASHINGTON, D. C.

This investigation is predicated upon Bureau letter of reference to which was attached a Memorandum for the Director dated December 26, 1947, from HERBERT A. BERGSON, Acting Assistant Attorney General, Claims Division, Department of Justice, a copy of which memorandum has been furnished to the Cleveland Division by the Bureau.

The memorandum of the Attorney General suggested that a summary be prepared of the petitioner's profit and loss statements and if possible that sales be segregated to show separately the profits on the cost plus fixed fee contracts, the fixed price contracts, Defense Plant Corporation contracts and transactions with the Dow Chemical Company.

HISTORY OF THE AUSTIN COMPANY

According to the files of the Navy Price Adjustment Board the Austin Company was established on a small scale in Cleveland, Ohio, in 1878, contracting in the field of commercial and small industrial buildings. Beginning in 1912 the Company undertook larger and more complex jobs and developed as a major engineering construction organization.

Afterwards branch offices were established in fourteen cities. The policy of the company has been to centralize responsibility in district offices and the general office merely determines policies, directs research activities and supervises the steel fabricating plant.

In 1939 the company adopted the policy of building up its personnel so that it would be able to carry out the large and numerous war projects awarded to it. The construction and engineering accomplishments of the company included the development of standardized steel frame designs for one story as well as more story buildings and controlled conditions in plants consisting of windowless industrial buildings in which light, temperature, humidity and dust fumes and noises are controlled.

The basic profits of the subject company for the years 1936 to 1942, according to the information found in the files, are as follows:

YEAR	SALES	NET PROFIT BEFORE TAXES	
		Amount	% of Sales
1936	$ 9,403,159	$ 309,187	3.29
1937	16,578,122	572,307	3.45
1938	7,991,976	71,784	0.90
1939	10,486,159	293,303	2.80
Average 1936-1939	11,114,854	311,645	2.80
1940	42,949,925	2,302,668	5.36
1941	87,690,030	4,481,532	5.11
1942	258,120,675	6,792,711	2.63

HISTORY OF RENEGOTIATION

The Austin Company was assigned to the Navy Department for renegotiation on August 6, 1942. On September 10, 1942, the Board requested the contractor to submit preliminary data for renegotiation purposes. On September 14, 1942, the Company replied to the communication and advised that the information would be forthcoming.

On November 23, 1942, the contractor submitted the first information for renegotiation purposes in connection with the Board's request.

On February 20, 1943 the Austin Company wrote to the Navy inclosing various schedules and other information which had been requested theretofore by the Board. On March 26, 1943, the Company again wrote to the Navy enclosing additional information such as financial statements and answers to specific questions which it stated constituted all of the specific schedules and information requested.

On April 19, 1943 the Company sent to the Navy schedules of contract data for the year ended December 31, 1942 showing construction sales, engineer sales, and other financial data for that particular year.

Again on June 17, 1943, the Austin Company sent to the Board a number of additional schedules containing financial information consisting of balance sheets, surplus profit and loss statements all pertaining to the fiscal year 1942. On July 8, 1943 the Board requested additional schedules from the company pertaining to its construction costs. The Company replied

on July 14, 1943 that Ernst and Ernst, CPA's would prepare the desired information.

On July 21, 1943, the company submitted to the Board various exhibits and schedules for the purpose of placing on record the pertinent facts concerning the history, work and performance of the Austin Company, as a background for the analysis of the data previously submitted.

On September 28, 1943, the company again sent to the Board additional schedules pertaining to its financial transaction. Under date of December 3, 1943 the Board mailed to the Austin Company notice that an initial conference was set for December 17, 1943, in Washington which notice the company acknowledged by its letter of December 7, 1943.

On December 17, 1943, a conference was had by the company and members of the Navy Price Adjustment Board in Washington, D.C. No final determination was made at this meeting with respect to excess profits.

Under date of February 19, 1944 the company sent to the Board additional information which had been requested by analysts of the Board. Again on April 3, 1944 the Board requested certain specific information from the company concerning details of information which it had previously submitted. The company replied to this request under date of April 19, 1944. On May 9, 1944, the company wrote to the Board enclosing various schedules and information submitted or to be submitted to the Bureau of Internal Revenue in connection with the reasonableness of salaries for the years 1940 and 1941 which were involved in the disallowance for income tax purposes. Under date of May 16, 1944, the Austin Company sent to the Board in response to telephonic requests, additional information concerning financial transactions of the Company for the years 1936 to 1942 inclusive.

Under date of May 24, 1944, a letter was sent to the Austin Company by the Board notifying the company of a renegotiation meeting to be held on June 5, 1944, in Washington, D.C. which the company acknowledged by letter of May 29, 1944.

On June 5th and 6th renegotiation conferences were held in Washington, D.C. by the Board and the Company. No definite agreement was reached as to the excessive profits at this meeting.

Under date of June 17, 1944, the Austin Company wrote to the Board referring to the preliminary findings made at this meeting of June 6th and advising that the company had not thought that the profits under CPFF contracts should be considered subject to reduction upon renegotiation. The company also offered various reasons as to why it considered the tentative determination of excessive profits by the Board to be unreasonably high.

On July 10, 1944, the Chairman of the Board wrote the Austin Company advising it that the Board had carefully considered the information submitted theretofore and had found nothing which would justify a change in its findings made at a meeting with the company. Under date of July 17, 1944, the Company wrote the Board advising it that in order to protect its position in regard to certain legal questions it might be necessary for it to appeal to the Tax Court and that therefore the Board should make a unilateral determination.

Under date of August 14, 1944, a unilateral order was signed by the Board and mailed to the company with a letter noting that the company merely desired to protect its legal position and not to have the Chairman give further consideration to the matter. The determination of the Board was to the effect that the excessive profits for the fiscal year ended December 31, 1941, amounted to $400,000 and the excessive profits for the fiscal year ended December 31, 1942, amounted to $2,000,000 making a total of $2,400,000 excessive profits for the fiscal years 1941 and 1942.

On September 5, 1944 the Paymaster General of the Navy advised the company that the net balance of the excessive profits which have been determined would be $2,400,000 would be equal to $503,113.60 after the application of the tax credits to which the company would be entitled.

DETERMINATION OF EXCESSIVE PROFITS

The Navy PAB determined that the petitioner derived excess profits of $400,000 in the fiscal year ended December 31, 1941, which were applicable to cost plus fixed fee contracts.

The Board also determined that petitioner derived excess profits in the amount of $2,000,000 in the fiscal year ended December 31, 1942. Of this amount $200,000 was determined to be applicable to fixed price contracts and $1,800,000 was applicable to cost plus fixed fee contracts.

The total amount of excessive profits amounts to $2,400,000 which is subject to a tax credit of $1,896,886.40 leaving net refund due the Government of $503,113.60.

1941 Excess Profits Per Board

There has been prepared as attached next hereto Exhibit A which reflects the gross receipts and adjusted profits before and after renegotiation for the fiscal year ended December 31, 1941.

Fixed Price Contracts (1941)

It will be noted that gross receipts and net operating profits on fixed price contracts in 1941 were as follows:

Gross Receipts	$1,973,913.00
Net Operating Profit	141,287.00
Ratio	7.15%

These contracts were not subjected to excessive profits determination although they were considered 100% renegotiable.

Cost Plus Fixed Fee and Dow Contracts (1941)

The Navy PAB segregated "Dow Chemical Contracts" from other CPFF contracts, although it considered both groups as 100% renegotiable.

Briefly the receipts and profits under this category before renegotiation were as follows:

	CPFF	Dow	Total
Gross Receipts	$ 33619,941	1,897,439	35,517,380
Net Operating Profit	825,248	45,730	870,978
Plus Disallowed Costs			225,872
			$ 1,096,850
Ratio			3.09%

After renegotiation, less refund of $400,000 the adjusted net operating profit would be equal to $696,850 ($1,096,850 minus $400,000) or a ratio of 1.98%.

Total Renegotiable Contracts (1941)

The total renegotiable business, including Fixed Price and Cost Plus-fixed fee appears as follows:

Gross Receipts	$ 37,491,293
Net Operating Profit	1,012,265
Plus:	
Disallowed Costs	225,872
Total Adjusted Profit	1,238,112
Ratio	3.30%

After renegotiation, less refund of $400,000 the adjusted profit would be reduced to $838,137 ($1,238,112 minus $400,000) equal to 2.25%.

Non-Renegotiable Business (1941)

The gross receipts and profits from non-renegotiable business for the fiscal year ended December 31, 194, are as follows:

Gross Receipts	$	49,989,929
Net operation profit		3,162,963
Less Disallowed Costs		225,872
Net Adjusted Profit	$	2,937,091
Ratio		5.88%

Total Business (1941) - Before Renegotiation

The gross receipts and profits for fiscal year ended December 31, 1941, appear as follows:

Gross Receipts	$	87,481,222
Net Operating Profit		4,175,228
Other Income		97,496
Total Adjusted Profit	$	4,272,724
Ratio		4.88%

Total After Renegotiation, less $400,000

Profit reduced to $3,872,724 equal to 4.45%

Disallowed Salaries

For purposes of renegotiation, the Board considered Executive Salaries too high. Compensation for Executive Officers for the year was $728,434. The Board considered that $300,000 was sufficient and disallowed $428,434. To this was added a dividend credit of $163,784, making a total disallowance of $592,218. This was applicable to the total business, however, $225,872 was apportioned to renegotiable contracts.

Other Income

The Board considered that the petitioner earned "Other Income" in the fiscal year ended December 31, 1941 in the amount of $97,496. Work papers (pp 644 and 645) reveal that same was made up of the following items:

Items Not Allocable to Specific Contracts		
Adjustment of small tool inventory & Reserve	$	29,456
Gasoline and Excise Tax Refunds		2,156
Gross Profit from Blueprint sales		11,619
Other Miscellaneous Income		6,302
		49,533
Interest received		33,601
Dividends Received		55,000
		138,134
Expenses:		
Interest paid		10,718
Miscellaneous Expenses		389
		11,107
Other Income (net)		127,027
Less:		
Commercial & Development Expenses		
Donations		20,216
Research & Development		9,315
	$	29,531
NET TO OPERATING PROFIT	$	97,496

1942 Excess Profits Per Board

There has been prepared as attached next hereto Exhibit B which reflects the gross receipts and adjusted profits before and after renegotiation for the fiscal year ended December 31, 1942.

CV F. O.
46-782

THE AUSTIN COMPANY
STATEMENT OF PROFIT AND LOSS
YEAR ENDED DECEMBER 31, 1941

SCHEDULE A

	Lump Sum	CPFF	Dow Chemical	Combined	Non-Renegotiable	Total
Construction Sales	$5,576,561	$30,440,206	$4,756,538	$40,573,305	$46,470,570	$87,043,875
Construction Costs (Direct)	4,552,087	29,499,598	4,426,817	38,478,502	43,298,484	81,776,986
Gross Profit	824,474	940,608	329,721	2,094,803	3,172,086	5,266,889
Per Cent Gross Profit To Costs	18.112	3.189	7.448	5.444	7.326	6.441
Per Cent Gross Profit To Sales	15.335	3.090	6.932	5.163	6.826	6.051
Operating Expense	162,140	653,275	106,392	921,807	1,219,292	2,141,099
Operating Profit	662,334	287,333	223,329	1,172,996	1,952,794	3,125,790
Per Cent Operating Profit To Construction Sales	12.319	.944	4.695	2.891	4.202	3.591
Equipment Rental Income	25,895	45,559	5,948	77,400	223,368	300,768
Gross Earnings of Engineering	24,598	297,779	4,287	326,664	252,902	579,566
Gross Earnings of Bliss Mill	4,559	40,988	-0-	45,547	302,834	348,381
	55,050	382,326	10,235	449,611	779,104	1,228,715
Profit Before Other Income	717,384	671,659	233,564	1,622,607	2,731,898	4,354,505
Add: Additional Income Unallowable Deductions	12,962	73,392	11,469	97,823	112,052	209,875
	730,346	745,051	245,033	1,720,430	2,843,950	4,564,380
Other Income - Net	6,976	45,192	6,782	58,947	66,330	125,277
	$ 737,322	$ 790,243	$ 251,815	$ 1,779,377	$ 2,910,280	$ 4,689,657
Per Cent Profit Before Federal Taxes on Income	13.714	2.596	5.294	4.386	6.262	5.388

CV F. O.
46-783

The results of operations of the Company for the fiscal year ended December 31, 1941 after Renegotiation refund of $400,000 is as follows:

OT F. O.
46-785

THE AUSTIN COMPANY
1941
AFTER $400,000 RENEGOTIATION REFUND

SCHEDULE A-1

	Lump Sum	CPFF	Dow Chemical	Combined	Non-Renegotiable	Total
Construction Sales	$5,376,561	$30,440,206	$4,756,538	$40,573,305	$46,470,570	$87,043,875
Less: Renegotiation Refund	400,000	-0-	-0-	400,000	-0-	400,000
Adjusted Sales	4,976,561	30,440,206	4,756,538	40,173,305	46,470,570	86,643,875
Cost of Sales	4,552,087	29,499,598	4,426,817	38,478,502	43,298,484	81,776,986
Gross Profit	424,474	940,608	329,721	1,694,803	3,172,086	4,866,889
Net Profit	337,322	790,243	251,815	1,379,377	2,910,280	4,289,657
Per Cent Profit Before Federal Taxes	6.778	2.596	5.294	3.434	6.262	4.951

CV F. C.
46-783

Audit of the company's Federal Income and Excess Profits Tax returns for the fiscal year ended December 31, 1941 by the Bureau of Internal Revenue resulted in a disallowance of Real Estate Taxes, Dividend Credits on Employees Stock, Excessive Compensation, legal expenses and insurance. The disallowances were contested by the company, and extended negotiations between the company and the Bureau of Internal Revenue ensued which culminated in a basis for settlement. Excessive compensation in the amount of $203,017 was disallowed as well as legal expenses in the amount of $6,868. The total disallowance of $209,875 is shown as additional income on Schedule A. This additional income was allocated to all business on the basis of Cost of Construction Sales.

There follows the Tax Schedule for 1941:

TAX SCHEDULE
1941

Net Income Per Federal Income Tax Return	$4,479,782
Add Unallowable Deductions	
Real Estate Taxes	1,220
Dividend Credits on Employees Stock	163,784
Excessive Compensation	83,059
Legal Expenses	4,723
Insurance	9,589
	$4,742,157
Less Additional Deduction for Federal Capital Stock Taxes	52,500
Profit Per Books	$4,689,657

Comments on the Profit and Loss Statement:

Combined sales for the year 1941, subject to renegotiation, consisting of Lump Sum, Cost Plus a Fixed Fee and Dow Chemical contracts amounted to $40,573,305. The Navy Price Adjustment Board showed a combined total of $35,517,380. This difference can be explained in that all contracts paid for and completed prior to April 28, 1942 were treated as renegotiable in this review, as per the request of Mr. GILMORE of the Austin Company. The Navy Price Adjustment Board stated in their report, "An examination of the commercial contracts in excess of $100,000 reveals that some may involve the furnishing of process equipment within the meaning of the 1942

Renegotiation Act. Such contracts cover primarily chemical plants constructed for the Dow Chemical interests under a continuing contract which has been in effect since 1939 and which provides that Dow may call upon Austin to do any or all of its construction work. For the purpose of this analysis, the 1941 and 1942 sales under three of these Dow projects, together with a small lump sum contract for Linde Air Products, have been considered to be of questionable renegotiability. On the Dow contracts, it is the company's practice to accumulate all costs and expenses by location."

The reporting agent did not question those contracts of questionable renegotiability. In the segregation of Dow Chemical sales, the writer was guided by the formula prepared by the Navy in their classification of the Dow contracts. This schedule may be found on page 773 of the Navy file.

Lump Sum Contracts:

The results of operations under lump sum contracts are summarized on Schedule A. In reporting profits, inter-departmental charges for engineering and fabricated steel have been reflected in costs at the billing prices of the respective departments. In addition, second party equipment rental charged for the use of the company's owned equipment has been treated as an item of cost (but has been added back to restore the statistical charge to profits.) This handling of inter-departmental charges and costing of owned equipment rentals has the effect of reflecting in costs what the Austin Company would report if it obtained such services from outsiders at prices equal to those charged by the several departments.

Job costs include, in addition to the items already mentioned, labor, materials, work sublet to others and cost of equipment rented from third parties. Operating expenses are allocated on a cost of sales basis, and consists of those set forth in Schedule B, as follows:

CV F. 0.
46-783

THE AUSTIN COMPANY — SCHEDULE B
INDIRECT JOB COSTS)
COMMERCIAL & DEVELOPMENT EXPENSES) 1936 - 1942

	1936	1937	1938	1939	Average 1936-1939	1940	1941	1942
Depreciation	$ 34,628	$ 61,774	$ 52,118	$ 59,840	$ 52,090	$105,418	$140,401	$264,110
Repairs and Maintenance	15,475	18,030	9,962	8,923	13,097	14,277	51,493	20,750
Selling Expense	105,091	109,644	126,271	104,540	111,387	142,163	141,757	108,960
Taxes	26,878	45,606	51,332	47,702	42,877	65,325	113,215	184,178
Estimating Expense	37,972	57,721	53,637	39,398	47,180	44,307	55,130	50,851
Engineering Expense	14,737	25,129	6,659	11,491	14,502	19,841	49,171	27,954
Rent	16,960	24,235	25,142	24,350	22,672	34,223	47,379	62,597
Store House Expense	9,026	12,528	10,880	12,785	11,305	15,730	17,978	27,123
Constructing Expense	1,882	(1,190)	446	(304)	209	7,949	11,091	4,343
Purchasing	1,968	(918)	3,834	4,794	2,420	2,395	5,243	10,416
Donations	3,499	4,341	4,090	3,335	3,816	16,472	20,216	19,939
Research and Development	4,280	7,276	12,039	329	5,981	1,174	9,315	13,059
Servicemen's Program	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12,903
	$272,384	$364,176	$356,390	$317,183	$327,536	$469,274	$662,389	$807,163

CV F. O.
46-783

THE AUSTIN COMPANY
GENERAL AND ADMINISTRATIVE EXPENSES 1936-1942

SCHEDULE B (CONT.)

	1936	1937	1938	1939	Average 1936-1939	1940	1941	1942
Officers Salaries	$183,390	$359,968	$145,362	$242,690	$232,853	$688,159	$1,126,859	$988,364
Office Salaries	41,265	41,971	39,866	25,865	37,242	52,415	110,979	150,365
Advertising	43,388	59,815	47,159	55,207	51,392	50,712	70,409	88,566
Auditing	4,591	3,847	5,568	9,068	5,769	6,463	31,691	43,796
Office Supplies & Expenses	9,491	8,614	7,066	7,019	8,048	14,271	26,667	43,122
Legal & Personal	4,720	10,401	6,411	18,597	10,032	14,788	19,837	46,168
Office Service	5,805	4,007	4,137	5,739	4,922	11,285	19,401	15,035
Telephone & Telegraph	7,656	9,354	8,120	8,330	8,365	12,029	16,852	17,515
Accounting	7,359	7,638	13,754	6,554	8,826	12,737	15,752	24,541
Postage	5,278	7,440	5,209	6,240	6,042	8,525	12,602	12,212
Insurance	(691)	4,915	3,893	3,818	2,984	6,056	12,159	12,604
Light, Heat, Water & Power	3,042	3,688	3,254	3,535	3,380	4,914	10,175	9,285
Subscriptions	970	2,570	1,609	2,424	1,893	8,118	2,928	5,479
Traveling	16,208	4,932	890	5,016	6,762	10,964	2,535	11,558
Dues	349	1,048	678	754	707	789	719	1,575
Sundry	2,734	4,401	1,381	1,152	2,417	1,051	1,145	2,458
Sub Total	335,555	584,609	294,357	402,008	391,634	897,278	1,478,710	1,446,643
Indirect Costs	272,384	364,176	356,390	317,183	327,536	469,274	662,389	807,163
Total Operating Expenses	607,939	898,785	650,747	719,191	719,170	1,366,552	2,141,099	2,253,806
Per Cent to Sales	6.465	5.422	8.143	6.858	6.470	3.182	2.460	.874
Other Income (Net)								
Income -								
Items Not Allocable to Specific Contracts								
Adjustment to Small Tool Inventory & Reserve							29,456	109,380
Gasoline & Excise Tax Refund	---------- DETAILS NOT AVAILABLE ----------						2,156	5,141
Gross Profit from Blue Print Sales							11,619	14,151
Rent Earned							-0-	12,000
Other Miscellaneous Income							6,302	9,123
Total Miscellaneous Income	49,911	64,485	43,810	38,227	196,431	43,160	49,533	147,745
Interest Received	57,149	53,888	58,428	55,547	225,012	39,089	33,601	32,592
Dividends Received	-0-	-0-	20,000	20,000	40,000	-0-	55,000	40,000
Total Income	107,060	118,371	122,238	113,774	461,443	82,249	138,134	220,337
Expense -								
Interest Paid	8,235	5,105	1,601	10,492	25,424	10,645	10,718	9,787
Miscellaneous Expense	2,153	10,825	7,254	13,664	33,896	16,259	389	15,972
Total Expense	10,579	15,930	8,855	24,156	59,320	26,904	11,107	24,759
Other Income Net	$ 96,681	$102,441	$113,383	$ 89,618	$402,123	$ 55,345	$ 127,027	$194,578

Cost Plus a Fixed Fee Contracts:

The results of operations on fixed fee contracts are summarized on Schedule A. The summary treats inter-departmental charges and equipment rental in a like manner to the method used on the lump sum contract summary described before. Job costs and operating expenses are also comparable in treatment to the handling under the lump sum contracts.

Equipment Rental Income:

This is an inter-departmental charge for the rental of company owned equipment and has the effect of reflecting in costs what The Austin Company would report if it obtained such services from outside source.

Engineering Earnings:

The Austin Company performed engineering for lump sum and cost plus a fixed fee construction contracts. Engineering earnings are after deducting direct costs and after deducting operating expenses, which later were allocated on a Cost of Sales basis.

Bliss Mill Earnings:

The Bliss Mill is the company owned steel fabricating plant. Charges to contracts are based on competitive prices. The advantages gained from the operation of the plant by Austin lie primarily in speedier delivery, knowledge of available stock, and easier adaptation to special specifications and experimental operations. Bliss Mill costs were allocated to the various classifications of work on a tonnage basis. It was estimated that Bliss Mill supplied only about 10% to 15% of the company's total requirements for structural steel in recent years. Gross Profit derived from renegotiable business was added back as income.

Operating Expenses:

Operating Expenses for the year 1941 totaled $2,141,099. Of this amount $921,807 is applicable to renegotiable business. Donations in the amount of $20,216 and research and development in the amount of $9,315 were charged in their entirety to non-renegotiable business. Depreciation and amortization of small tools is charged directly to job costs,

the amount so charged representing ¾ of 1% of contract price adjusted to actual at the year end. Depreciation on all other machinery, equipment and tools, as well as on buildings and fixtures, is included in operating expense. Depreciation rates are as allowed by the Bureau of Internal Revenue. A rate of 2½% of cost is used on building, 10% of cost on furniture and fixtures, and on machinery, equipment and tools varies depending on the type of equipment. There does not appear to be any accelerated depreciation. Operating expenses were allocated on the basis of Cost of Sales. Operating expenses are detailed on Schedule B as set forth above.

Fiscal Year Ended December 31, 1942:

The results of operation of the company for the fiscal year ended December 31, 1942 are as follows:

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THE AUSTIN COMPANY
STATEMENT OF PROFIT AND LOSS
YEAR ENDED DECEMBER 31, 1942

SCHEDULE C

	Lump Sum	CPFF	Dow Chemical	Combined	Non-Renegotiable	Total
Construction Sales	$3,881,766	$225,108,881	$98,023,758	$237,004,405	$20,737,639	$257,742,044
Construction Costs (Direct)	3,633,272	220,298,572	97,691,883	231,623,727	19,208,379	250,832,106
Gross Profit	248,494	4,810,309	321,875	5,380,678	1,529,260	6,909,938
Per Cent Gross Profit to Costs	6.839	2.184	4.185	2.323	7.961	2.755
Per Cent Gross Profit to Sales	6.402	2.137	4.017	2.270	7.374	2.681
Operating Expense	84,147	1,698,181	82,006	1,864,334	327,051	2,191,385
Operating Profit	164,347	3,112,128	239,869	3,516,344	1,202,209	4,718,555
Per Cent Operating Profit to Construction Sales	4.233	1.382	2.993	1.484	5.797	1.831
Equipment Rental Income	27,720	250,796	12,070	290,586	93,272	383,858
Gross Earnings of Engineering	38,102	989,845	6,804	1,028,751	147,818	1,176,569
Gross Earnings of Bliss Mill	29,153	253,779	580	283,513	98,061	381,574
	88,975	1,494,420	19,455	1,602,850	339,151	1,942,001
Profit Before Other Income	253,322	4,606,548	259,324	5,119,194	1,541,360	6,660,554
Other Income - Net	2,817	170,894	5,966	179,677	14,901	194,578
	$ 256,139	$ 4,777,442	$ 265,290	$ 5,298,871	$ 1,556,261	$ 6,855,132
Per Cent Before Taxes on Income	6.599	2.122	3.310	2.236	7.505	2.675

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The results of operations of the company for the fiscal year ended December 31, 1942 after renegotiation refund is as follows:

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THE AUSTIN COMPANY
1942
AFTER RENEGOTIATION

SCHEDULE C-1

	Lump Sum	CPFF	Dow Chemical	Combined	Non-Renegotiable	Total
Construction Sales	$3,881,766	$235,108,881	$8,013,758	$237,004,405	$20,737,639	$257,742,044
Less: Renegotiation Refund	200,000	1,800,000	-0-	2,000,000	-0-	2,000,000
Adjusted Sales	3,681,766	223,308,881	8,013,758	235,004,405	20,737,639	255,742,044
Cost of Sales	3,633,272	220,298,572	7,691,883	231,623,727	19,208,379	250,832,106
Gross Profit	48,494	3,010,309	321,875	3,380,678	1,529,260	4,909,938
Net Profit	56,139	2,377,442	265,290	3,298,871	1,556,261	4,855,152
Per Cent Profit Before Federal Taxes	1.525	1.333	3.310	1.404	7.505	2.151

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Comments on the Profit and Loss Statement:

Operations for the year 1942 were the same as in 1941. Therefore, the comments made following the Profit and Loss Statement of 1941 will apply in 1942, with the following exceptions:

Operating Expenses:

Operating expenses for the year 1942 per the company books amounted to $2,253,806. The company filed an amended return for 1942, on December 13, 1943, which shows a reduction of $94,860 in taxable income from the original return. Due to an overaccrual of taxes, the compensation of certain executives, sharing in profits after taxes on a percentage basis, was increased an aggregate of $94,860. This $94,860 was not in the company's books as an expense. On the company's original return, the Revenue Agent disallowed an amount of $186,896. This consisted of excessive compensation of $136,530; capital stock tax of $50,000 and Real Estate taxes disallowed of $366.00. Also held in abeyance was an amount of $106,915 of Dividend Credits to Employees Accounts. This case, along with the company's 1941 tax case, was heard in the Tax Court in Cleveland, Ohio. The company's lawyers submitted a stipulation agreement showing that the company agreed to pay $98,551 in additional excess profits taxes. The company asserted in its petition that the Bureau of Internal Revenue improperly disallowed as deduction approximately $231,000 of $901,000 paid out in salaries and bonuses to top officials. In settlement of this matter, the company was allowed $136,530 in excessive compensation and $94,860 of the Revised Bonus. The Dividend Credit to Employees Accounts of $106,915; the $50,000 capital stock tax and $366.00 in Real Estate taxes were disallowed. This resulted in a net disallowance of $62,421 for the year 1942. Accordingly, the disallowance of $62,421 was credited to operating expenses of $2,253,806 which resulted in a net operating expense of $2,191,385.

The company listed donations in the amount of $19,939; research and development in the amount of $13,059, and Servicemen's Program in the amount of $12,903, as expenses in 1942. These latter amounts were charged in their entirety to non-renegotiable business. Operating expenses are detailed in Schedule B as set forth before.

There follows the tax schedule prepared in reconcilling the 1942 taxable income to book profit:

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TAX SCHEDULE -- 1942

Net Income Shown in the Deficiency Notice Dated April 1, 1948		$5,176,326.15
		7,051,850.78
Difference		$1,875,524.63
Additions: (a) Renegotiated Profits		2,000,000.00
Reductions: (b) Salary Adjustments		124,475.37
		$1,875,524.63

Explanation of Adjustments:

(A) The renegotiated profit adjustment shown in the deficiency notice dated April 1, 1948 has been eliminated since the amount of excess profits has not been determined

(B) Salary Disallowance Deficiency Notice		136,530.37
Revised Bonus Allowed		94,860.00
Total Allowances		$ 231,390.37
Dividend Credit to Employees Accounts		106,915.00
		$ 124,475.37
From Revenue Agents Report Net Income by Return		$6,989,430.01
Unallowable Deductions:		
(A) Excessive Compensation	$136,530.37	
(B) Capital Stock Tax Disallowed	50,000.00	
(C) Real Estate Taxes Disallowed	365.77	$ 186,896.14
		$7,176,326.15
Non-Taxable and Additional Deductions		
(A) Renegotiation Profits		$2,000,000.00
		$5,176,326.15

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TAX SCHEDULE - 1942 (Cont.)

			1942
Net Income Per Original Return			$6,989,430.00
Excessive Compensation Original R.A.R.		$ 68,421	
Employee Stock Dividend		106,975	
		$175,336	
Add:			
Allowance in Conference	$ 38,805.42		
Allowance Technical Staff	124,475.37	163,281	
Net Adjustment		12,055	
Capital Stock Tax		50,000	
Real Estate Taxes		366	
Net Disallowance			62,421.00
Adjusted Net Income Per Internal Revenue			$7,051,851.00

	-Original- Net Profit Per Books	Net Profit Original Return
	$6,792,711	$6,989,430
Refund Army Contract	208,808	
Adjusted Net Disallowance		62,421
	$7,001,519	$7,051,851
Adjusted Net Disallowance	62,421	
U. S. Notes		2,500
Prepaid Insurance		9,589
	$7,063,940	$7,063,940

Adjusted Net Profit Per Books	$6,855,132
Add Army Refund	208,808

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Examination for the Year 1943:

During the conference held March 15, 1949, as reported in detail in referenced report of the writer dated April 5,1949, Mr. [redacted] advised the company that the firm's 1943 records would be checked and submitted. There follows the results of operations for the year 1943: b6 b7C

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SCHEDULE D

THE AUSTIN COMPANY
STATEMENT OF PROFIT AND LOSS
YEAR ENDED DECEMBER 31, 1945

	Lump Sum	CPFF	Dow Chemical	Combined	Non-Renegotiable	Total
Construction Sales	$6,147,471.92	$133,821,421.38	$3,170,467.18	$143,139,360.48	$17,232,848.48	$160,372,208.96
Construction Costs (Direct)	5,782,348.66	131,622,678.87	3,050,243.04	140,455,270.57	16,166,213.66	156,622,184.24
Gross Profit	365,123.26	2,198,742.51	119,524.14	2,683,389.91	1,066,634.82	3,750,024.73
Per Cent Gross Profit to Cost (Direct)	6.31	1.67	3.92	1.91	6.60	2.39
Operating Expense	63,346.53	1,359,300.86	42,431.35	1,456,078.74	376,204.99	1,832,283.73
Operating Profit	$ 301,776.73	$ 839,441.65	$ 77,092.79	$ 1,227,311.17	$ 690,429.83	$ 1,917,741.00
Per Cent Operating Profit to Construction Sales	4.91	.63	2.43	.86	4.01	1.20
Rental Income from Owned Equipment				99,618.49	101,848.02	201,466.51
Engineering Sales				$ 1,793,259.45	$ 809,568.46	$ 2,602,827.91
Engineering Cost - Direct				1,523,988.77	560,293.61	2,084,282.38
Gross Earnings of Engineering - Direct				269,270.68	249,274.85	518,545.53
Bliss Mills Sales				216,909.64	319,422.13	536,331.77
Bliss Mills Cost - Direct				197,473.83	283,233.81	480,707.64
Gross Earnings Bliss Mills				19,435.81	36,188.32	55,624.13
Profit Before Other Income						
Other Deductions - Federal Taxes on Income and Provision for Contingencies				$ 1,615,636.15	$ 1,077,741.02	$ 2,693,377.17
Per Cent to Construction Sales				1.13	6.25	1.68
Other Income						$ 239,878.83
						$ 2,933,256.00
Other Deductions						105,639.64
Profit Before Federal Taxes on Income and Provision for Contingencies						$ 2,827,616.36

EXHIBITS

The following exhibits were prepared in connection with the examination of the books and records of the company:

CY F. C.
46-785

THE AUSTIN COMPANY, EAST CLEVELAND, OHIO — EXHIBIT A
BALANCE SHEET AS AT DECEMBER 31, 1936 - 1945

Assets		1936	1937	1938	1939	1940	1941	1942	1943
Current Assets:	Cash	$ 42,840	$ 294,981	$ 464,539	$ 850,921	$1,193,779	$3,125,567	$3,447,845	$3,173,066
	Marketable Securities	517,852	680,819	677,739	264,789	250,729	258,788	459,800	502,826
	Notes and Accounts Receivable	1,243,913	936,949	678,496	1,129,444	4,753,068	6,256,941	6,280,948	3,902,576
	Inventories	284,307	358,275	305,998	165,320	1,259,678	1,362,345	1,755,276	620,651
	Total Current Assets	2,088,912	2,270,424	2,120,772	2,410,474	7,457,254	11,003,641	11,943,869	8,199,119
Investment in Long-Term Notes, Real Estate, etc.		1,103,027	921,044	855,013	80,537	76,974	88,524	88,224	88,224
Other Assets		174,550	117,066	63,162	52,098	190,197	157,365	337,796	108,493
Postwar Refund of Excess Profits Tax - Estimated		-0-	-0-	-0-	-0-	-0-	-0-	445,000	655,000
Investments in Fully Owned Subsidiary Companies:									
	Capital Stock	618,334	50	332,35	1,357,748	1,369,765	1,369,765	1,370,765	1,370,766
	Notes and Accounts Receivable	1,127,100	1,08	1,078,09	1,152,498	1,076,379	993,999	906,125	896,514
	Total Investments in Fully Owned Subsidiaries	1,745,434	1,59	1,410,44	2,510,246	2,466,144	2,363,764	2,276,890	
Property, Plant and Equipment - Net		269,698	337,169	281,597	258,782	452062	789,096	719,014	617,265
Deferred Charges		10,811	21,506	13,352	10,765	22063	34,612	79,707	44,195
Total Assets		5,392,432	5,268,164	4,944,349	5,322,900	10,644,694	14,437,008	15,890,500	11,979,576

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THE AUSTIN COMPANY, EAST CLEVELAND, OHIO EXHIBIT A (Cont.)
BALANCE SHEET AS AT DECEMBER 31, 1936 - 1943 Cont.

Liabilities, Capital Stock and Surplus		1936	1937	1938	1939	1940	1941	1942	1943
Current Liabilities:	Notes Payable	$ 100,000	$ 8,125	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$
	Accounts Payable	799,783	806,800	595,184	810,236	3,850,646	4,820,472	3,869,820	1,861,750
	Accrued	67,925	74,344	58,741	44,768	190,041	231,842	192,527	150,502
	Federal Taxes on Income - Estimated	59,974	5,236	15,255	42,826	1,275,000	3,110,964	4,141,971	1,189,380
	Advances in Excess of Billing on Contracts in Progress	36,486	14,334	14,282	16,974	338,731	332,113	711,042	461,813
	First Mortgage Leasehold Bonds - Current Portion	-0-	-0-	25,000	25,000	25,000	25,000	-0-	
	Total Current Liabilities	1,064,168	906,839	706,402	939,804	5,374,418	7,980,391	8,915,360	3,673,225
Notes and Account Payable - Fully Owned Subsidiary Companies		283,000	57,744	68,596	101,110	143,775	161,055	48,574	309,294
First Mortgage Leasehold Bonds		-0-	237,500	175,000	150,000	125,000	100,000	-0-	
Reserves		646,963	95,517	20,120	14,571	15,555	15,405	1,008,505	1,258,006
Payments and Dividend Credits on Stock Purchase Agreements		-0-	55,000	91,125	131,475	196,695	237,625	282,020	298,705
Capital Stock and Surplus:	Preferred Stock	1,019,100	1,014,500	1,014,500	1,014,500	1,013,500	1,013,500	1,012,500	1,012,500
	Common Stock (Less Held in Treasury)	1,151,200	1,126,200	1,126,200	1,126,200	1,156,200	1,852,600	1,984,500	2,041,000
	Surplus	1,228,001	1,775,564	1,743,428	1,845,240	2,619,551	3,076,425	3,239,041	3,386,846
	Total Capital Stock & Surplus	3,398,301	3,916,264	3,884,128	3,985,940	4,789,251	5,942,525	6,236,041	6,440,346
Total Liabilities, Capital Stock and Surplus		$5,392,432	$5,262,164	$4,944,349	$5,322,900	$10,644,694	$14,437,002	$15,890,500	$11,979,576

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THE AUSTIN COMPANY, EAST CLEVELAND, OHIO — EXHIBIT - B
STATEMENTS OF PROFIT AND LOSS FOR YEARS ENDED DECEMBER 31, 1936 - 1943

	1936	1937	193	1939	Average 1936-1939	1940	1941	1942	1943
Construction Sales	$9,403,159	$16,578,122	$7,991,[illegible]75	$10,486,159	$11,114,854	$42,949,925	$87,045,875	$257,742,044	$160,647,067
Construction Costs (Direct)	8,775,847	15,536,087	7,[illegible]11	9,765,588	10,392,483	40,020,387	81,776,986	250,652,106	156,807,849
Gross Construction Profit	627,312	1,042,035	498,65	720,571	756,371	2,929,538	5,266,889	6,909,938	3,839,218
Per Cent to Construction Sales	6.671	6.285	6.50	6.871	6.805	6.821	6.051	2.681	2.390
Gross Profit From:									
Engineering Sales	86,807	119,345	66[illegible]11	129,198	100,365	440,442	579,866	1,176,569	520,644
Bliss Mill	6,854	60,712	(23,91)	(19,144)	6,180	62,225	348,381	381,574	57,885
Equipment Rentals	99,472	146,559	6[illegible]93	92,251	101,431	181,670	300,768	383,856	201,467
Total Gross Profit	820,445	1,368,651	609,48	922,876	964,347	3,613,875	6,495,604	8,851,939	4,619,215
Per Cent to Sales	8.725	8.256	7.22	8.801	8.676	8.414	7.462	3.434	2.875
Operating Expenses	607,939	898,785	650,[illegible]7	719,191	719,170	1,366,552	2,141,099	2,253,806	1,896,031
	212,506	469,866	(41,39)	203,685	245,177	2,247,323	4,354,505	6,598,133	2,723,184
Per Cent to Sales	2.260	2.834		1.942	2.205	5.232	5.005	2.560	1.70
Other Income Net	96,681	102,441	113,83	89,618	100,550	55,345	127,027	194,578	135,938
Net Profit Before Federal Taxes on Income	309,187	572,307	71,94	293,303	345,707	2,302,668	4,481,532	6,792,711	2,849,122
Per Cent to Sales	3.288	3.452	.98	2.797	3.110	5.361	5.149	2.635	1.773

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ENCLOSURES:

To Bureau:

Work Papers of Special Agent JOHN K. BUSTER (A).

- REFERRED UPON COMPLETION TO THE OFFICE OF ORIGIN -

THE AUSTIN Co EXH O pg 11

SALES & INCOME - FISCAL YEAR 12-31-42

PER PRICE ADJUSTMENT BOARD (M

BEFORE RENEGOTIATION	FIXED PRICE CONTRACTS	RENEGOTIABLE: COST-PLUS-FIXED-FEE C.P.F.F	RENEGOTIABLE: DOW	RENEGOTIABLE: DOW SUB-TOTAL	TOTAL CONTRACTS	NON-REN. CONTRACTS	GRAND TOTAL CONTRACTS
GROSS RECEIPTS	4 128 974	7 619 996	5 835 444	33 455 440	37 584 314	10 745 139	58 329 483
JOB COSTS	3 657 537	7 711 096	5 544 792	28 255 388	31 912 926	19 714 736	51 127 156
GROSS JOB PROFIT	471 397	490 890 0	290 132	5 200 052	5 671 444	1 530 903	7 202 327
ADD							
ENGINEERING GROSS PROFIT	16 747	94 094	6 803	978 695	945 145	147 841	1 092 988
BLISS MILL PROFIT	29 153	253 779	581	254 360	283 513	98 061	381 574
GROSS PROFIT	516 797	6 084 771	298 516	6 383 287	6 900 079	1 776 810	8 676 889
ADD							
EQUIPMENT RENTALS	73 498	254 897	17 070	746 967	290 465	93 383	383 858
TOTAL GROSS PROFIT	540 290	6 339 668	310 586	6 650 254	7 190 544	1 870 703	9 060 747
LESS: OPERATING EXPENSES							
ENGINEERING	5 613	393 035	1 876	394 861	400 474	57 298	457 772
BLISS MILL COSTS	7 104	61 840	142	61 982	69 086	23 695	92 781
OTHER	77 139	1 311 767	68 248	1 380 015	1 457 154	200 998	1 657 152
TOTAL	84 856	1 766 642	70 216	1 836 858	1 927 714	281 991	2 209 705
NET OPERATING PROFIT	455 434	4 573 026	240 370	4 813 396	5 268 830	1 588 712	6 857 842
DISALLOWED COSTS.	—			786 847	786 847	786 847	—
ADJUSTED OPER. PROFIT	455 434			5 100 243	5 555 677	1 797 165	6 857 842
OTHER INCOME	—			—	—	—	142 677
TOTAL ADJUSTED PROFIT	455 434			5 100 243	5 555 677	1 797 165	7 000 519
RATIO	11.3 %			2.18 %	7.33 %	6.25 %	2.91 %
AFTER RENEGOTIATION							
LESS REFUND	400 000			1 800 000	2 000 000	—	2 000 000
GROSS RECEIPTS	3 928 974			31 655 440	35 584 414	10 745 139	56 329 483
NET OPERATING PROFIT	455 434			3 300 243	3 555 677	1 797 165	4 857 842
OTHER INCOME	—						142 677
ADJUSTED OP PROFIT	455 434			3 300 243	3 555 677	1 797 165	5 000 519
RATIO	11.6 %			1.42 %	1.53 %	6.25 %	1.85 %

It will be noted that gross receipts and net operating profits on Fixed Price Contracts were as follows:

Gross Receipts	$ 4,128,924
Net Operating Profit	455,434
Ratio	11.3%

The Fixed Price Contracts were 100% renegotiable subject to excess profits determination of $200,000.

After renegotiation, refund of $200,000, the adjusted operating profit would appear as follows:

Gross Receipts	$ 3,928,924
Net Adjusted Profit	255,872
Ratio	6.5%

Cost Plus-Fixed Fee and Dow Contracts (1942)

The receipts and profits on the CPFF Contracts which included Dow Chemical Contracts all of which were considered 100% renegotiable are summarized as follows:

	CPFF	Dow	Total
Gross Receipts	$ 227,619,996	5,835,424	233,455,420
Net Operating Profit	4,573,026	240,370	4,813,396
Disallowed Costs			286,847
Adjusted Operating Profit			5,100,243
RATIO			2.18%

Cost Plus-Fixed Fee and Dow Contracts (After Renegotiation) (1942)

After refund of $1,800,000 the gross receipts and adjusted operating profit would appear as follows:

Gross receipts	$231,655,420
Net Operating Profit	3,300,243
Ratio	1.42%

The Board did not allocate the refund to CPFF and Dow Contracts but rather on the total of this classification.

Non-Renegotiable Business (1942)

The gross receipts and profits from non-renegotiable business for the fiscal year ended December 31, 1942, as follows:

Gross Receipts	$ 20,745,139
Net Operating Profit	1,584,012
Less Disallowed Costs	286,847
Adjusted Operating Profit	$ 1,297,165
Ratio	6.25%

Total Business 1942 (Before Renegotiation)

The Gross Receipts and Profits for the fiscal year ended December 31, 1942 as follows:

Gross Receipts	$ 258,329,483
Net Operating Profit	6,852,842
Plus: Other Income	148,677
Total Adjusted Profit	$ 7,001,519
Ratio	2.71%

Total Business 1942 (After Renegotiation)

Gross Receipts	$ 256,329,483
Net Operating Profit	4,852,842
Plus Other Income	148,677
Total Adjusted Profit	$ 5,001,519
Ratio	1.95%

Disallowed Salaries

The Board considered Executive Salaries to be excessive in the amount of $222,637 in so far as renegotiable business was concerned. Compensation for executive officials for the year 1942 was $722,637. The Board considered that $500,000 was sufficient. To this was added $106,915 dividend making a total disallowance of $329,552. This was applied to the entire business, and of this amount $286,847 was allocated to renegotiable business.

Other Income

The Board considered that petitioner earned "Other Income" in the fiscal year ended December 31, 1942 in the net amount of $148,677. Work papers (pp. 644-645) reveal that same was made up of the following items:

Items Not Allocable to Specific Contracts

Adjustment of Small Took Inventory Reserve		$ 109,330.
Gasoline and Excist Tax refunds		3,141
Gross Profit from Blueprint sales		14,151
Rent earned		12,000
Other Miscellaneous Income		9,123
		147,745
Interest Received		32,592
Dividends Received		40,000
		220,337
Less Miscellaneous Expenses		25,759
Other Net Income		194,578
Less: Donations	$19,939	
Research & Development	13,059	
Servicemen's Program	12,903	45,901
Net Other Income		$ 148,677

PETITION OF CONTRACTOR

The Austin Company filed a petition in the United States Tax Court under Docket #104-R on November 10, 1944, seeking a redetermination of the excessive profits as theretofore fixed by the Navy Price Adjustment Board in its unilateral determination of August 14, 1944. The petition is quite voluminous and cites various reasons as to why the Board erred in making the determination.

Among some of the important errors listed by the company in its petition are as follows:

Petitioner contends that the Board erred in including as part of petitioner's renegotiable business for the two years in question certain contracts which Defense Plant Corporation entered into prior to July 1, 1943, where the work called for by the contracts had been substantially completed and paid for prior to July 1, 1943, but where final payment had not been received because of administrative delays which were not the fault of

petitioner nor within its control.

The Company asserts that the total construction sales so included under such contracts amounted to approximately $128,000,000. The Company also claims that the Board erred in including as renegotiable business its construction work for Dow Chemical Company in the determined amount of $7,732,863, for the years 1941 and 1942 which sales petitioner claims were paid for by said company's own funds and made under private contracts.

The Company also contends that the Board erred in including in renegotiable business all of the sales made prior to April 28, 1942, in the amount of about $17,000,000 under Contract NOy-4210 with the Navy Department, in that such sales were on account of construction work completed prior to the effective date of said Renegotiation Act and except for the normal retained amount had been fully paid for April 28, 1942.

The Company also contends that the Board erred in disallowing as proper costs $225,872 for 1941 and $286,847 for 1942 on account of salaries reasonably and necessarily paid by petitioner in those years.

EXHIBITS

Exhibit A

This exhibit reflects the amount of gross receipts and adjusted net profit for the fiscal year ended December 31, 1941 before and after renegotiation.

The figures appearing on this exhibit were compiled from work sheets prepared by the Navy Price Adjustment Board and ties in with the "spread sheet" showing final figures arrived at by the negotiators. (Page 791 work papers).

Exhibit B

This exhibit reflects the amount of gross receipts and adjusted net profit for the fiscal year ended December 31, 1942 before and after renegotiation.

The figures appearing on this exhibit were compiled from work sheets prepared by the Navy Price Adjustment Board and ties in with the "spread sheet" showing final figures arrived at by the Board. (Page 790 work papers.)

CONCLUSION

No examination has been made of the petitioner's books and records by the Washington Field Office. The figures as used herein were compiled from the Navy PAB files and records submitted to the Board by the petitioner.

The Claims Division of the Department in its memorandum requested that the Accountant classify petitioner's business under the various headings as set forth in the company's petition particularly pages 8 to 13 therein. Such segregation or breakdown as desired by the Department included the following as suggestions:

1. Cost plus-fixed fee contracts
2. Negotiated fixed amount contracts
3. Dow Chemical Company contracts
4. Defense Plant Corporation business
5. Sales prior to April 28, 1942
6. D.P.C. business before and after April 28, 1942.

The files of the Board revealed that an anormous amount of accounting had been done by accountants of the Board on this case. Schedules and exhibits were furnished by the petitioner from time to time. From these financial reports the Navy Accountants prepared detailed analyses. An attempt was made by Agent to contact the Navy accountants who assembled the final figures for the Board for the purpose of reassemblying such data into the classification desired by the Department. b6 b7C

[redacted] of the Office of the Special Assistant to the Secretary of Navy for Renegotiation was contacted by reporting agent concerning the reclassification of sales into the categories suggested by the Department memorandum.

[redacted] advised that no such classifications had been prepared by Navy accountants. He suggested however that his office would make an effort to reassemble or reclassify such additional data if possible if requested at a subsequent date. [redacted] maintains his office in Temporary Building No. 3, 17th and Constitution Avenue, N. W. Telephone extension 2029 Navy. b6 b7C

Inasmuch as it was determined that the Navy did not break down the sales into the categories desired by the Department nor did the Navy obtain a breakdown of the figures showing sales before and after April 28, 1942, such schedules were not prepared by reporting agent due to the lack of the necessary records.

It appears that figures as determined by the Navy and the petitioner were agreed to in principle as reflecting an estimate of the renegotiable business and profits. There appears to have been no dispute concerning the segregation of the renegotiable and non-renegotiable business but there appeared to be a definite disagreement as to the amount of excessive profits earned on the respective classifications of business by the petitioner.

The files of the Board indicate that the petitioner operated on both a departmental and an overall basis. The company's method of accounting is on a percentage of completion basis. For that reason the company requested that renegotiation for both the fiscal years 1941 and 1942 be considered on such a basis rather than on separate years. There are many complexities involved in this proceeding due to the multiplicity of operation and widely dispersed locations at which the petitioner did business. The Board has prepared a brief under date of July 2, 1946, for the Attorney General which sets out pertinent points involved in this renegotiation proceeding.

It is believed advisable not to conduct any field examination of the petitioner's books and records until such time as the Claims Division attorneys have determined what additional definite information is desired from the company's books and records. An analysis of the accounting data at the company's offices would entail a tremendous amount of work unless it was confined to a spot check or listing of certain figures on specific item or items.

The figures from which Exhibits A and B were taken were Pages 757 and 777 of the photostatic file of the Navy PAB which was submitted to this office for review. Page 757 is marked "Final Exhibit 3" while Page 777 is marked "Profit and Loss Summary based on Final Renegotiation Figures."

These schedules do not reflect the same segregation of sales and cost of sales for the years 1941 and 1942 as shown on page 8 of the company's petition; however it will be noted that the profit before taxes on renegotiable business for 1941 and 1942 does agree in total.

The "spread sheets" and final schedules prepared by the Navy PAB did not segregate sales as to War Department, Navy Department, Defense Plant Corporation and other departments in connection with renegotiable business nor is there a breakdown of sales before and after April 28, 1942.

b6
b7C

The files and records transmitted to the Washington Field Office through the Bureau have been returned by the writer to [redacted] Room 3736.

In accordance with Bureau instructions no further work will be done in this case at this time unless and until advised to the contrary.

Two copies of this report are being designated for the Cleveland Division for information purposes. It is possible that the Bureau will instruct the Cleveland Office to perform additional accounting work at the offices of the petitioner located in Cleveland, Ohio.

-P E N D I N G*-

PROFIT AND LOSS STATEMENT
THE AUSTIN COMPANY
Year ended December 31, 1941

	RENEGOTIABLE				NON-RENEGOTIABLE			
	LUMP SUM	FIXED FEE	DOW CHEMICAL	TOTAL	COMPLETED AND FINAL PAYMENT RECEIVED APR. 28,1942	COMMERCIAL	TOTAL	COMPANY TOTAL
Construction Sales	$1,964,719.59	$30,123,879.92	$4,756,538.18	$36,845,137.69	$3,519,359.50	$46,470,570.25	$49,989,929.75	$86,835,067.44
Construction Costs	1,799,353.99	29,197,848.96	4,426,816.76	35,424,019.71	3,054,481.91	43,298,484.45	46,352,966.36	81,776,986.07
Gross Profit	$ 165,365.60	$ 926,030.96	$ 329,721.42	$ 1,421,117.98	$ 464,877.59	$ 3,172,085.80	$ 3,636,963.39	$ 5,058,081.37
% to Construction Sales	8.42%	3.07%	6.93%	3.86%	13.21%	6.83%	7.28%	5.82%
% to Construction Costs	9.19%	3.17%	7.45%	4.01%	15.22%	7.33%	7.85%	6.19%
Operating expenses - Note A	55,014.30	565,252.55	95,030.45	715,297.30	107,756.99	1,108,168.98	1,215,925.27	1,931,223.27
Operating profit	$ 110,351.30	$ 360,778.41	$ 234,690.97	$ 705,820.68	$ 357,120.60	$ 2,063,916.82	$ 2,421,037.42	$ 3,126,858.10
% to Construction Sales	5.62%	1.20%	4.93%	1.92%	10.15%	4.44%	4.84%	3.60%
% to Construction Costs	6.13%	1.24%	5.30%	1.99%	11.69%	4.77%	5.22%	3.82%
Equipment rentals	13,726.68	44,842.87	5,948.00	64,517.55	12,881.51	223,368.44	236,249.95	300,767.50
Engineering Sales	$ 37,759.62	$ 1,235,956.19	$ 11,822.00	$ 1,285,537.81	$ 48,782.30	$ 840,415.49	$ 889,197.79	$ 2,174,735.60
Engineering Costs	25,304.95	944,994.33	7,535.00	977,834.28	29,822.25	587,512.62	617,334.87	1,595,169.15
Engineering Gross Profit	$ 12,454.67	$ 290,961.86	$ 4,287.00	$ 307,703.53	$ 18,960.05	$ 252,902.87	$ 271,862.92	$ 579,566.45
Bliss Mill Sales	$ 47,032.24	$ 85,576.42	-0-	$ 132,608.66	$ 84,827.93	$ 1,286,668.50	$ 1,371,496.43	$ 1,504,105.09
Bliss Mill Costs	37,659.56	69,812.80	-0-	107,472.36	64,418.02	983,834.20	1,048,252.22	1,155,724.58
Bliss Mill Gross Profit	$ 9,372.68	$ 15,763.62	-0-	$ 25,136.30	$ 20,409.91	$ 302,834.30	$ 323,244.21	$ 348,380.51
Profit before Other Income	$ 145,905.33	$ 712,346.76	$ 244,925.97	$ 1,103,178.06	$ 409,372.07	$ 2,843,022.43	$ 3,252,394.50	$ 4,355,572.56
% to Construction Sales	7.43%	2.36%	5.15%	2.99%	11.63%	6.12%	6.51%	5.02%
% to Construction Costs	8.11%	2.44%	5.53%	3.11%	13.40%	6.57%	7.02%	5.33%
Other Income - Net	-0-	-0-	-0-	-0-	-0-	125,276.44	125,276.44	125,276.44
Profit before taxes on Income	$ 145,905.33	$ 712,346.76	$ 244,925.97	$ 1,103,178.06	$ 409,372.07	$ 2,968,298.87	$ 3,377,670.94	$ 4,480,849.00
% to Construction Sales	7.43%	2.36%	5.15%	2.99%	11.63%	6.39%	6.76%	5.16%
% to Construction Costs	8.11%	2.44%	5.53%	3.11%	13.40%	6.86%	7.29%	5.48%
Note A - Operating expenses have been reduced for aggregate income tax adjustments in ratio of construction costs.	4,617.92	74,934.27	11,361.12	90,913.31	7,839.12	111,122.87	118,961.99	209,875.30

PROFIT AND LOSS STATEMENT
THE AUSTIN COMPANY
Year ended December 31, 1942

	RENEGOTIABLE				NON-RENEGOTIABLE			
	LUMP SUM	FIXED FEE	DOW CHEMICAL	TOTAL	COMPLETED AND FINAL PAYMENT RECEIVED APR. 28,1942	COMMERCIAL	TOTAL	COMPANY TOTAL
Construction Sales	$4,083,073.78	$225,108,881.48	$8,013,758.02	$237,205,713.28	$ 7,500.00	$20,737,639.13	$20,745,139.13	$257,950,852.41
Construction Costs	3,627,414.39	220,298,572.34	7,691,883.65	231,617,870.38	5,857.44	19,208,378.66	19,214,236.10	250,832,106.48
Gross Profit	$ 455,659.39	$ 4,810,309.14	$ 321,874.37	$ 5,587,842.90	$ 1,642.56	$ 1,529,260.47	$ 1,530,903.03	$ 7,118,745.93
% to Construction Sales	11.16%	2.14%	4.02%	2.36%	21.90%	7.37%	7.38%	2.76%
% to Construction Costs	12.56%	2.18%	4.18%	2.41%	28.04%	7.96%	7.97%	2.84%
Operating expenses - Note A	84,025.75	1,706,603.80	82,299.38	1,872,928.93	260.42	327,785.19	328,045.61	2,100,974.54
Operating Profit	$ 371,633.64	$ 3,103,705.34	$ 239,574.99	$ 3,714,913.97	$ 1,382.14	$ 1,201,475.28	$ 1,202,857.42	$ 4,917,771.39
% to Construction Sales	9.10%	1.38%	3.00%	1.57%	18.43%	5.79%	5.80%	1.91%
% to Construction Costs	10.25%	1.41%	3.12%	1.60%	23.60%	6.25%	6.26%	1.96%
Equipment rentals	23,498.57	254,896.94	12,070.00	290,465.51	119.70	93,272.43	93,392.13	383,857.64
Engineering Sales	$ 87,902.41	$ 4,920,509.92	$ 25,064.00	$ 5,033,476.33	$ 79.38	$ 496,753.75	$ 496,833.63	$ 5,530,309.96
Engineering Costs	55,826.78	3,930,664.83	18,261.00	4,004,752.61	53.25	348,934.96	348,988.21	4,353,740.82
Engineering Gross Profit	$ 32,075.63	$ 989,845.09	$ 6,803.00	$ 1,028,723.72	$ 26.63	$ 147,818.79	$ 147,845.42	$ 1,176,569.14
Bliss Mill Sales	$ 106,031.55	$ 805,832.22	$ 2,232.00	$ 914,095.77	-0-	$ 376,557.34	$ 376,557.34	$ 1,290,653.11
Bliss Mill Costs	76,878.79	552,053.40	1,651.00	630,583.19	-0-	278,495.81	278,495.81	909,079.00
Bliss Mill Gross Profit	$ 29,152.76	$ 253,778.82	$ 581.00	$ 283,512.58	$ -0-	$ 98,061.53	$ 98,061.53	$ 381,574.11
Profit before Other Income	$ 456,360.60	$ 4,602,226.19	$ 259,028.99	$ 5,317,615.78	$ 1,528.47	$ 1,540,628.03	$ 1,542,156.50	$ 6,859,772.28
% to Construction Sales	11.18 %	2.04%	3.23%	2.24%	20.38%	7.43%	7.43%	2.66%
% to Construction Costs	12.58%	2.09%	3.37%	2.30%	26.09%	8.02%	8.03%	2.73%
Other Income - Net	-0-	-0-	-0-		-0-	192,078.50	192,078.50	192,078.50
Profit before Taxes on Income	$ 456,360.60	$ 4,602,226.19	$ 259,028.99	$ 5,317,615.78	$ 1,528.47	$ 1,732,706.53	$ 1,734,235.00	$ 7,051,850.78
% to Construction Sales	11.18%	2.04%	3.23%	2.24%	20.38%	8.36%	8.36%	2.73%
% to Construction Costs	12.58%	2.09%	3.37%	2.30%	26.09%	9.02%	9.03%	2.81%
Note A - Operating expenses have been reduced for aggregate income tax adjustments in ratio of construction sales	764.03	46,400.57	1,620.11	48,784.71	1.23	4,045.78	4,047.01	52,831.72

Renegotiable Commercial Contracts 5 June 1944 Calculations

	Austin Job #0-254 General Chemical Plant - Pittsburg, Cal.			Austin Job #4250 Magnesium Plant - Freeport, Texas			Austin Job #6372 General Chemical Plant - Midland			Total 3 Dow Contracts		
	1941	1942	Total	1941	1942	Total	1941	1942	Total	1941	1942	Total
Gross Receipts at 100% (as reported)	1,712,144	688,501	2,400,645	10,496,489	5,059,621	15,556,110	7,404,159	8,177,868	15,582,027	19,612,792	13,925,990	33,538,782
Less Estimate of amount applicable to orignal plant (paid for prior to 4/28/42)	--			5,000,000			--			5,000,000		
Balance	1,712,144			5,496,489			7,404,159			14,612,792		
Less 69.2% of 1941 (based on actual study of releases at Midland, Mich.)	1,184,804			3,803,570			5,122,175			10,110,549		
Net Assumed to be Subject to Renegotiation before adjustment for process equipment and war end use (30.8% of 1941, 100% of 1942)	527,340	688,501	1,215,841	1,692,919	5,059,621	6,752,540	2,281,984	8,177,868	10,459,852	4,502,243	13,925,990	18,428,232
Less Real Estate (Building Construction) Included Percentage of Total Construction	30.0%	30.0%		40.0%	40.0%		30.0%	30.0%	30.0%			
Remainder - Representing Process Equipment Percentage of Total Construction	70.0%	70.0%		60.0%	60.0%		70.0%	70.0%	70.0%			
Less Proportion of Output NOT War End Use Percentage of Total Output	50.0%	50.0%		10.0%	10.0%		50.0%	50.0%	50.0%			
Balance Subject to Renegotiation - Amount	184,569	240,975	425,544	914,176	2,732,195	3,646,371	798,694	2,862,254	3,660,948	1,897,439	5,835,424	7,732,863
% of Net assumed to be subject	35.0%	35.0%	35.0%	54.0%	54.0%	54.0%	35.0%	35.0%				
% of Total Receipts for Year	10.78%	35.0%		8.71%	54.0%		10.78%	35.0%		9.67%	41.90%	23.06%
Receipts, Costs and Profits at 100%												
Gross Receipts	1,712,144	688,501		10,496,489	5,059,621		7,404,159	8,177,868		19,612,792	13,925,990	33,538,782
Job Costs	1,633,452	662,096		10,050,039	4,799,899		7,068,025	7,774,726		18,751,516	13,235,721	31,987,237
Gross Job Profits	78,692	26,405		446,450	260,722		336,134	403,142		861,276	690,269	1,551,545
Engineering Gross Profit	28,355	14,364		--	--		11,410	5,076		39,765	19,440	59,205
Bliss Mill Gross Profit	--	1,661		--	--		--	--		--	1,661	1,661
Second Party Equipment Rentals	15,224	1,812		12,946	6,270		29,494	22,997		57,664	31,079	88,743
Total Gross Profit	122,271	44,242		459,396	266,992		377,038	431,215		958,705	742,449	1,701,154
Operating Expenses Per Austin (Cost Basis)	72,845	28,991		237,482	44,616		181,559	102,790		491,886	176,397	668,283
Net Operating Profit	49,426	15,251		221,914	222,376		195,479	328,425		466,819	566,052	1,032,871
Memo: Cost of Engineering	49,037	44,676		--	--		20,865	7,497		69,902	52,173	122,075
Cost of Bliss Mill Steel (est.)	--	4,718		--	--		--	--		--	4,718	4,718
Receipts, Costs and Profits at Derived %												
Gross Receipts	184,569	240,975		914,176	2,732,195		798,694	2,862,254		1,897,439	5,835,424	7,732,863
Job Costs	176,086	231,733		875,290	2,591,405		762,459	2,721,154		1,813,835	5,544,292	7,358,127
Gross Job Profits	8,483	9,242		38,886	140,790		36,235	141,100		83,604	291,132	374,736
Engineering Gross Profit	3,057	5,027		--	--		1,230	1,776		4,287	6,803	11,090
Second Party Equipment Rentals	1,641	635		1,127	3,306		3,180	8,049		5,948	12,070	18,018
Bliss Mill Gross Profit	--	581		--	--		--	--		--	581	581
Total Gross Profit	13,181	15,485		40,013	144,176		40,645	150,925		93,839	310,586	404,425
Operating Expenses Per Austin (cost Basis)	7,853	10,147		20,684	24,033		19,572	35,976		48,108	70,216	118,325
Net Operating Profit	5,328	5,338		19,329	120,063		21,073	114,949		45,730	240,370	286,100
Memo: Cost of Engineering	5,286	15,637		--	--		2,249	2,624		7,535	18,261	
Cost of Bliss Mill Steel (est.)	--	1,651		--	--		--			--	1,651	

GV. F. O.
46-783

Mr. PAUL GILMORE, President for the Austin Company, stated that the Austin Company received one advanced payment on December 31, 1942, in the amount of $711,042. Mr. GILMORE stated that this was the only advance received from the Government and stated that on Cost Plus Fixed Fee work the Austin Company had to wait sometimes fifteen to thirty days to obtain reimbursable costs from the Government. Mr. GILMORE stated that this was an understandable delay because of the paper work in the Government departments.

DOW CHEMICAL

In a letter dated June 3, 1944, by Mr. H. A. HALLSTEIN, Vice-President of the Austin Company, directed to the Navy Department, Office of Procurement and Material, Washington, D. C., Mr. HALLSTEIN stated the following regarding Dow Chemical contract O-254:

"Continuing contract specifies that Dow will authorize the Austin Company to perform work as specified by Dow at various locations. All work to be performed under this contract is made the subject of separate releases or purchase orders for each specific project and each project is performed on a Cost Plus Percentage Fee basis, the fee, it being the only item governed by the terms of the original continuing contract.

"We do not have available details of work and progress on the various releases under contract O-254 at any specific date, however, we believe that some portion of this contract should not be considered as renegotiable but eliminated as applying to releases continued and paid for prior to April 28, 1942.

"No information is available on which to determine amounts of charges which should be considered real estate as distinguished from process equipment, however, information obtained in connection with the work at Midland, Michigan, for Dow Chemical Company indicates that this proportion should be 30 percent real estate and 70 per cent processing equipment at Midland, Michigan, and we would suggest these same percentages be used for any consideration of the work at Pittsburg, California.

"We do not have any information indicating that percentage renegotiability of production produced by Dow Chemical Company at Pittsburg, California, however, they gave us a letter stating that their business for

the year June 1, 1942, to May 31, 1943, indicates that 50 per cent of such business is renegotiable. We believe this could be a reasonable figure to use in considering the renegotiability of work performed by the Austin Company at Pittsburg, California."

The same letter refers to contract 2450, Dow Chemical Company - continuing contract - Freeport, Texas:

"The Freeport plant of Dow Chemical Company produces magnesium, chlorine, costic soda, ethylene, ethylene glycol, ethylene di-chloride and chlorinated solvents. The principal product of the Freeport plant is magnesium with some of the other products representing by-products of magnesium production. The magnesium is not processed beyond the pig or bar stage at Freeport. Telephone conversation with Dow representatives at Freeport indicates that they feel a proper segregation between real estate and plant equipment would be approximately 50 per cent to each classification.

"Considering the nature of the products produced at the Freeport plant, we do not believe that any of Austin contruction work at this plant should be considered renegotiable."

This same letter also mentions contract No. 3672, Dow Chemical Company - continuing contract - Midland, Michigan:

"Analysis of billings on orders in progress at April 1, 1942, indicates that approximately 30 per cent of such releases would be properly classified as real estate and 70 per cent would be classified as process equipment. We believe that these percentages could be used in any consideration of Dow work as renegotiable."

Accordingly the Navy Department had made up a schedule in which they had calculated the sales of the Austin Company for the three Dow contracts, in which they had arrived at certain calculations for which they felt would be the renegotiable portion of process equipment.

As requested in the Departmental memorandum, there is set forth below a condensed schedule showing renegotiable portion of the Dow Chemical sales for each of the years 1941 and 1942:

CV. F. C.
46-783

1941

4250 DPC - CPFF - Freeport, Texas	$2,859,099.18
0-254 Commercial contract, Pittsburg, California, Per Navy calculations	184,569.00
4250 Commercial contract, Freeport, Texas, Per Navy calculations	914,176.00
6372 Commercial contract, Midland, Michigan, Per Navy calculations	798,694.00
	$4,756,538.00

1942

4250 DPC - CPFF - Freeport, Texas	$2,178,334.02
0-254 Commercial contract, Pittsburg, California, Per Navy calculations	240,975.00
4250 Commercial contract, Freeport, Texas, Per Navy calculations	2,732,195.00
6372 Commercial contract, Midland, Michigan, Per Navy calculations	2,862,254.00
	$8,013,758.00

It will be noted that contracts 0-254, 4250 and 6372, of both years, were taken from the Navy calculations. Contract 4250, the contract of Freeport, Texas, was also carried by the Austin Company on their books as a DPC Costs Plus Fixed Fee contract. These are also included in the schedule. The amount of DPC contract of 1941 was $2,859,099.18. The DPC contract for 1942 was $2,178,334.02.

A photostat of the Navy calculations appears as follows:

THE AUST[redacted] Co Exh 'A' P9 1

SALES & INCOME - FISCAL YEAR 12-31-41

PER PRICE ADJUSTMENT BOARD (*)

BEFORE RENEGOTIATION	RENEGOTIABLE: FIXED-PRICE CONTRACTS	RENEGOTIABLE: COST-PLUS-FIXED-FEE CPFF	RENEGOTIABLE: COST-PLUS-FIXED-FEE DOW	RENEGOTIABLE: COST-PLUS-FIXED-FEE SUB-TOTAL	TOTAL	NON-RENEG	GRAND TOTAL
GROSS RECEIPTS	$ 1973913	33619941	1897439	35517380	$ 37491293	49989979	87481272
JOB COSTS	1805645	31306799	1813835	33120634	34925779	46357967	81283746
GROSS JOB PROFIT	168268	2313142	83604	2396746	2565514	3631962	6197476
ADD							
ENGINEERING GROSS PROFIT	9533	149469	4387	153756	163309	271862	435171
BLISS MILL PROFIT	9372	15763	—	15763	25135	323246	348381
GROSS PROFIT	187193	1478874	87991	1566765	1753958	4237070	5986078
ADD							
EQUIPMENT RENTALS	13727	44843	5948	50791	64518	236250	300767
TOTAL GROSS PROFIT	200920	1523717	93939	1617556	1818476	4468320	6286796
LESS OPERATING EXPENSES							
ENGINEERING	2530	94500	754	95254	97784	61733	159517
BLISS MILL COSTS	31148	57291	—	57291	88442	108570	117012
OTHER	53955	598675	47355	646030	699985	1135054	1835039
TOTAL	57633	698469	48109	746578	806211	1305357	2111568
NET OPERATING PROFIT	141787	$ 825248	$ 45730	870978	1012265	3162963	4175228
DISALLOWED COSTS (1)	—			+ 225872	+ 225872	- 225872	
OTHER INCOME	—			—			97496
TOTAL ADJUSTED PROFIT	$ 141787			$ 1096850	$ 1238137	$ 2937091	$ 4272724
RATIO	7.15%			3.09%	3.30%	5.11%	4.88%
(1) EXECUTIVE SALARIES							
AFTER RENEGOTIATION LESS REFUND	—			$ 400000	$ 400000		400000
GROSS RECEIPTS	$ 1973913			35117380	37091293	49989979	87081272
NET OPERATING PROFIT	141787			696850	838137	2937091	3775228
OTHER INCOME	—			—			97496
ADJ. OPER. PROFIT	$ 141787			$ 696850	$ 838137	$ 2937091	$ 3872724
RATIO	7.15%			1.98%	2.25%	5.88%	4.45%

(*) SOURCE: P.P. 787-777 NAVY FILES

3. The gross profits of the Engineering Department and of Bliss Mill are picked up as other income while the charges for the use of the company's own equipment, being a statistical calculation, are also restored to gross profit.

EXAMINATIONS OF ACCOUNTING RECORDS

A. EXAMINATION FOR THE YEARS 1936 THROUGH 1942:

For the fiscal years ended December 31, 1941 through 1942, trial balances of the company's books were prepared and traced to the consolidated audit reports for those years issued by ERNST and ERNST, Certified Public Accountants.

B. EXAMINATION FOR THE FISCAL YEARS ENDED DECEMBER 31, 1941 AND 1942:

1. Scope of the Examination:

Balance sheet and income account data submitted by the company in connection with the renegotiation proceeding was traced to the accounting records of the company. The segregation of sales between renegotiable and non-renegotiable business was verified by reference to contracts and recapitulation sheets. Costs and expenses were traced to the accounts and the allocation thereof to renegotiable and non-renegotiable business checked for mathematical accuracy and the theory of allocation determined. In all instances, the theory of allocation was found to have been reasonable and no important differences were noted in the mathematical computations.

Net profit as shown by the books and renegotiation data of the company was reconciled with the taxable profit as shown by the Federal tax returns and appropriate adjustments were made based on reconciling items. Results of the Internal Revenue Service audit of the company's tax return for the years were obtained and appropriate adjustment made based thereon.

Analyses were made of various balance sheet and profit and loss accounts of the years under review and explanations were obtained concerning all transactions of a doubtful or unclear nature and, if necessary,

were further investigated by reference to supporting data. Adjustments made as a result thereof are discussed hereinafter under the caption "Renegotiation Adjustments" as are the adjustments made for variances between costs and expenses as recorded on the books and as allowable for tax purposes.

The financial position of the company at December 31, 1941 and 1942 is shown by Exhibit A, which is in comparative form, showing the financial position as at the end of each fiscal year 1936 through 1942. Exhibit A appears at the end of this report. Exhibit A basically reflects the financial condition of the company as reflected by the books.

2. Results of Operations:

The results of operations of the company for the fiscal year ended December 31, 1941 is as follows:

INVENTORY OF PROPERTY ACQUIRED AS EVIDENCE

Cleveland Field Division

March 1, 1952 (Date)

Title and Character of Case THE AUSTIN COMPANY vs. JAMES V. FORRESTAL, Secretary of Navy, Tax Court Docket 104-R RENEGOTIATION ACT

Field Division File Number 46-783

Bureau File Number 46-14692

Description of Property Being Held

3 accounting work sheets

Date Property Acquired and Authority for Acquisition

5/5/50

Source from Which Property Acquired

SA JOHN K. BUSTER

46-14692-

NOT RECORDED
105 APR 11 1952

Location of Property

Exhibit room

Reason for Retention of Property and Efforts Which Have Been Made to Dispose of It

To be held for evidence until completion of case. --- NONE

50 MAY 13 1952

4/24/52 CJM

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI (46-14692)

DATE: May 2, 1952

FROM : SAC, Cleveland (46-783)

SUBJECT: THE AUSTIN COMPANY vs. JAMES V. FORRESTAL
Secretary of Navy, Tax Court Docket 104-R
RENEGOTIATION ACT

ReBulet 4-24-52.

Work papers of SA JOHN K. BUSTER enclosed.

JKB'cmh

Enclosure

REGISTERED MAIL
RETURN RECEIPT REQUESTED

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RECORDED - 58

EX-28

MAY 1 1952

MAY 12 1952

SAC, Cleveland (46-783) April 24, 1952

Director, FBI (46-14692)

THE AUSTIN COMPANY vs. JAMES V. FORRESTAL
Secretary of Navy, Tax Court Docket 104-R
RENEGOTIATION ACT

The accounting work sheets presently being retained by your office in this matter should be forwarded to the Bureau for transmittal to the Claims Division.

CJM:rsn

Tolson
Ladd
Clegg
Glavin
Nichols
Rosen
Tracy
Harbo
Mohr
Pele. Room
Nease
Gandy

20 MAY 13 1952

COMM — FBI
APR 24 1952
MAILED 29

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MARCH 6, 1953

AIR MAIL

SAC, CLEVELAND

AUSTIN COMPANY VS SECRETARY OF NAVY, TAX COURT DOCKET NO. ONE ZERO FOUR DASH R, RENEGOTIATION ACT. CIVIL DIVISION ATTORNEY JOHN WOLF ADVISED PETITIONER'S REPRESENTATIVES HAVE SUGGESTED CONFERENCE IN WASHINGTON, D. C., FROM APRIL SIX TO APRIL EIGHT, NEXT. ATTORNEY WOLF DESIRES TO KNOW WHETHER SA JOHN K. BUSTER WILL BE AVAILABLE FOR CONFERENCE BEFORE SETTING DEFINITE DATE. SUAIRTEL IMMEDIATELY REGARDING AVAILABILITY SA BUSTER. YOUR OFFICE WILL BE ADVISED WHEN CONFERENCE DEFINITELY SCHEDULED.

HOOVER

(46-14692)

CJM:eck

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MAR 9 1953

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MAR 6 1953
COMM-FBI

Tolson
Ladd
Nichols
Belmont
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Gandy

79 MAR 16 1953

INVENTORY OF PROPERTY ACQUIRED AS EVIDENCE

CLEVELAND Field Division

AUGUST 28, 1952 (Date)

Title and Character of Case THE AUSTIN COMPANY vs JAMES V. FORRESTAL
Secy. of Navy, Tax Court Docket 104-R
NEGOTIATIONS ACT

Field Division File Number 46-783

Bureau File Number 46-14692

Description of Property Being Held

3 accounting work sheets

Date Property Acquired and Authority for Acquisition

5-5-50

Source from Which Property Acquired

SA JOHN K. BUSTER

Location of Property

Exhibit Room

Reason for Retention of Property and Efforts Which Have Been Made to Dispose of It

to be held for evidence until completion of case.

None

66 SEP 17 1952

46-14692
NOT RECORDED
80 SEP 11 1952

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI

DATE: July 28, 1952

FROM : SAC, WFO (46-0)

SUBJECT: RENEGOTIATION CASES

The following renegotiation cases are presently pending in the files of the Washington Field Office.

These are cases which have been referred to the Bureau by the Department of Justice for investigation, but which have not been disposed of by the United States Tax Court.

The docket of the Clerk, United States Tax Court is checked monthly by WFO for all of the pending cases, which are as follows:

	TITLE	DOCKET NUMBER	WFO NUMBER
A	Acme Steel Company	282-580-760-R	46-2328
	The Alliance Brass and Bronze Company	633-R	46-1847
	The Alliance Brass and Bronze Company	829-R	46-2258
	Anderson Engineering Company, Inc.	731-R	46-2442
	Andover Motors Corporation	869-R	46-2514
	The Austin Company	104-R	46-1929 (A)
B	Barlow and Seelig Manufacturing Company	787-R	46-2225
	William Verne Barrowclough	823-R	46-2227
	[redacted]		
	The Bayer Company	706-R	46-1884
	W. T., D. E., and [redacted] Partners, d/b/a Bittner Associates	354-R	46-2187
	Birmingham Ornamental Company	690-R	46-2193
	Brevets Aero-Macaniques S. A. Company	361-405-735-R	46-2244
	Enea Bossi and Walter Lyon, Et Al	766-R	46-2182
	E. C. Brown Company	77-R	46-2100
	[redacted]		
C	Cannon Manufacturing Corporation	859-860-R	46-2348
	Cadillac Tool and Die Company	827-R	46-2451
	Cadillac Tool and Die Company	825-R	46-2450
	Catalyst Research Corporation	891-R	46-2474
	Cardinale Warehousing Corporation	723-R	46-2066
	Columbus Wood Preserving Company	877-R	46-2434
	M. J. Corboy Company	602-627-R	46-2141
	Coat Corporation of America	569-R	46-1596

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	TITLE	DOCKET NUMBER	WFO NUMBER
C	Coat Corporation of America	705-797-R	46-2392
	Consolidated Radio Products Company	623-R	46-2229
	Coastline Manufacturing Corporation	791-R	46-2186
	Helene Curtis Industries, Inc.	888-R	46-2455
D	Dant and Dant of Kentucky, Et Al	511-R	46-2408
	Davenport Manufacturing Company	863-864-R	46-2288
	Detroit Steel Corporation	650-697-R	46-2155
	Detroit Steel Corporation	286-R	46-1525
E	The Ebco Manufacturing Company, Et Al	589-R	46-1632
	The Edward Valve and Manufacturing Company	308-R	46-1441
	[redacted]		
	Edward Valves, Inc.	813-814-R	46-2139
	Erie Basin Metal Products Inc.	558-R	46-2336
	Eversharp, Inc.	777-R	46-2056
	Excelsior Mills	201-R	46-2289
F	Ferro Company Corporation	550-R	46-2523
	Ferris Instrument Corporation	273-326-R	46-2215
	The Finnie Company	665-R	46-2140
	Fischer-Kimsey	607-608-R	46-2309
G	[redacted]		
	General Hardwood Sales Company	553-R	46-1653
H	[redacted]		
	[redacted] (Wood Specialties Co.)	804-R	46-2234
	Hanlon-Waters, Inc.	534-727-R	46-1506
	H. M. Harper Company	543-R	46-2137
	[redacted] (Philip Machine Shop)	466-610-R	46-2064
	[redacted] (Volcanic Specialties Co.)	828-R	46-2257
	[redacted] (Volcanic Specialties Co.)	634-R	46-2099
	Hooker Electro Chemical Company	454-663-795-R	46-1611
I	The Ingersoll Milling Machine Company	216-463-R	46-1761
	Iverson and Laux, Inc.	299-R	46-2208
J	[redacted] (Lamson and Company)	730-R	46-2440
	Jolart Metal Products Company	855-R	46-2332
	Joliet Industrials, Inc.	821-R	46-2270
	Joliet Chemicals, Inc.	820-R	46-2269
	Joliet Chemicals, Ltd.	818-R	46-2265
	Jowein, Inc.	765-R	46-2040
L	LaGrand Industrial Supply Company	659-R	46-1751
	Louisville Bridge and Iron Company	306-645-R	46-1807

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	TITLE	DOCKET NUMBER	WFO NUMBER
K	Kenametal Company	900-R	46-2568
	Kennametal, Inc.	482-R	46-2291
	Keystone Carbon Company	743-R	46-2179
M	Magazine Repeating Raxor Company	619-R	46-1746
	Maguire Industries, Inc.	885-886-R	46-2492
	Marine Manufacturing and Supply Company	642-R	46-1930 (A)
	Mathews Cotton Mill	756-R	46-2054
	Mathews Cotton Mill	807-R	46-2145
	Mattison Machine Works	135-474-R	46-2144
	M & R Products, Inc.	753-R	46-2086
	Metal Parts Corporation	771-R	46-2226
	Metal Parts Manufacturing Company	816-817-R	46-2249
	[redacted]		b6 b7C
	Monroe Ordnance, Inc.	724-788-R	46-2072
	[redacted]		
	W. R. McDonough Company	252-R	46-2252
N	[redacted] (Jolliet Chemicals, Ltd)	819-R	46-2267
	National Electric Welding Machine Co.	166-R	46-1451
	National Electric Welding Machines Co.	453-R	46-2331
	Norfolk Tent and Awning Supply Company	775-R	46-2271
	Northwest Automatic Products Corporation	799-R	46-2239
	Northwest Automatic Products Corporation	798-R	46-2235
P	Pacific Chain and Manufacturing Company	831-832-R	46-2219
	Pacific-Atlantic Steamship Company	871-R	46-2334
	Palmer-Bee Company	898-R	46-2489
	Park Bloomington, Inc.	699-R	46-2389
	Park Sherman Company	707-R	46-2388
	Park Sherman Company	698-R	46-2387 b6 b7C
	[redacted] (Island Machine Tool Company)	750-R	46-2290
	Peninsula Iron and Machine Works	830-R	46-2220
	Perry Metal Products Company	857-R	46-2333
	Perry Metal Products Company	856-R	46-2323
	Pick Manufacturing Company	717-718-R	46-2120
	Plant Maintenance Corporation	876-R	46-2427
	Pomona Aircraft Company	793-R	46-2262
	Pomona Aircarft Company, Et Al	810-R	46-2263
	Portland-Pacific Company, Et Al	833-834-R	46-2218
	Procelain Steels, Inc.	430-R	46-1439

	TITLE	DOCKET NUMBER	WFO NUMBER
R	Rainwear, Inc.	704-R	46-2390
	Regal Chemical Corporation	889-890-R	46-2483
	Remington Arms Company	538-R	46-1809
	Robersonville Tent Company	773-R	46-2268
	W. A. Rushlight Company	427-428-R	46-1608
S	[redacted]		b6 b7C
	Scandia Manufacturing Company	778-R	46-2094
	Joseph E. Seagram and Sons, Inc., Et Al	593-R	46-2409
	The Sebastian Lathe Company	769-770-R	46-2380
	[redacted]		b6 b7C
	Shanaman Brothers	655-R	46-1747
	Shanaman Brothers	875-R	46-2428
	W. A. Sheaffer Pen Company	734-R	46-2132
	[redacted]		b6 b7C
	Simpson Steel Company, Et Al	794-R	46-2264
	Simpson Steel Company, Et Al	839-R	46-2261
	Simpson Steel Company	676-R	46-1882
	[redacted]		b6 b7C
	H. A. B. Sneve Company	343-R	46-2371
	Southern Fireproofing Company	901-R	46-2600
	South Hill Tent Company, Inc.	774-R	46-2260
	Standard Machinery Company	805-R	46-2231
	States Steamship Company	872-R	46-2327
	Stoner Manufacturing Corporation	370-R	46-1529
	Stoner Manufacturing Corporation	80-R	46-1528
	D. A. Stuart Oil Company, Ltd.	484-493-702-R	46-2126
T	Tarboro Tent Company	776-R	46-2266
	Thrift Packing Company	684-R	46-2065
	Thomas Flexible Coupling Company	256-338-639-R	46-1574
	Tidewater Foundation Company	193-R	46-2048
	[redacted]		b6 b7C
U	United Metal Craft Company	866-R	46-2364
	United Metal Craft Company	867-R	46-2363
	U. S. Cartridge Company	470-716-R	46-1775
V	The Van Dorn Iron Works Company	411-R	46-1578
	Van Dorn Iron Works	133-R	46-2070
	Van Dorn Iron Works	744-R	46-2071

WFO 46-0

	TITLE	DOCKET NUMBER	WFO NUMBER
V	Virginia Products Corporation	692-R	46-2063
W	Wayne Die and Engineering Company, Et Al	826-R	46-2449
	Wayne Die and Engineering Company, Et Al	824-R	46-2448
	Westfield Manufacturing Corporation	713-R	46-2233
	Westfield Manufacturing Corporation	616-R	46-2232
	Weeks Stevedoring Company, Inc.	479-480-481-R	46-2221
	White Stag Manufacturing Company	677-R	46-2062
	Wilson Tent and Awning Company, Inc.	762-R	46-2057
	H. E. Wolfe Construction Company, Inc.	503-R	46-1789
	Wood Parts, Inc.	432-R	46-1636
Z	[redacted]		

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FD-36

FEDERAL BUREAU OF INVESTIGATION

UNITED STATES DEPARTMENT OF JUSTICE

Transmit the following Teletype message to: BUREAU

DIRECTOR, FBI (46-14692) 3-10-53

SAC, CLEVELAND URGENT

AUSTIN COMPANY VS SECRETARY OF NAVY, TAX COURT DOCKET NO. ONE ZERO FOUR DASH R, RENEGOTIATION ACT. REBU AIRTEL MARCH SIX, LAST. SA JOHN K. BUSTER SUBPOENAED FOR TRIAL IN LOUISVILLE, KY. SCHEDULED TO BEGIN APRIL ONE, NEXT WHICH MAY EXTEND THROUGH APRIL SIX. SUGGEST CONFERENCE WITH DEPARTMENTAL ATTORNEY JOHN WOLF BE SCHEDULED ON OR AFTER APRIL EIGHT, NEXT.

MC CABE

END

ECK:rlk
46-783

cc: Mrs Rosen

AIR TEL

RECORDED - 56 46-14692-20
MAR 11 1953

MAR 17 1953

Approved:_____ Sent_____M Per_____
Special Agent in Charge

FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

RECORDED-20

To: COMMUNICATIONS SECTION. APRIL 1, 1953 AIRTEL

Transmit the following message to: SAC, CLEVELAND MAIL

46-14692-21

THE AUSTIN COMPANY VS. SECRETARY OF THE NAVY, TAX COURT DOCKET NUMBER ONE NAUGHT FOUR R, RENEGOTIATION ACT. REURAIRTEL MARCH TEN LAST. CIVIL DIVISION REQUESTS THAT SA JOHN K. BUSTER REPORT TO WASHINGTON, D. C., TEN A.M., APRIL NINE NEXT FOR CONFERENCES. CIVIL DIVISION BELIEVES SA BUSTER'S PRESENCE WILL BE NECESSARY UNTIL AND INCLUDING APRIL FOURTEEN NEXT. SA BUSTER SHOULD REPORT TO ROOM FOUR SEVEN ONE TWO, BUREAU, PRIOR TO CONFERENCE. SUAIRTEL IMMEDIATELY RE AVAILABILITY SA BUSTER.

HOOVER.

46-14692

CJM:sal

NOTE: This case involves a suit in the U. S. Tax Court seeking redetermination of excessive profits in the amount of $2,400,000. SA John Buster of the Cleveland Office conducted an accounting investigation in this case.

Tolson
Ladd
Nichols
Belmont
Clegg
Harbo
Rosen
Tracy
Laughlin
Mohr
Tele. Rm.
Holloman
Gandy

MAILED 3
APR 1 - 1953
COMM-FBI

SENT VIA _____ M Per _____

ADDRESS REPLY TO
"THE ATTORNEY GENERAL"
AND REFER TO
INITIALS AND NUMBER

WEB:JHP

152-104

UNITED STATES
DEPARTMENT OF JUSTICE
WASHINGTON 25, D. C.

bcw

March 25, 1953

Mr. Tolson
Mr. Ladd
Mr. Nichols
Mr. Belmont
Mr. Clegg
Mr. Glavin
Mr. Harbo
Mr. Rosen
Mr. Tracy
Mr. Gearty
Mr. Mohr
Mr. Winterrowd
Tele. Room
Mr. Holloman
Mr. Sizoo
Miss Gandy

MEMORANDUM FOR MR. J. EDGAR HOOVER
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

Re: The Austin Company v. Secretary of the Navy; Tax Court Docket No. 104-R.

Renegotiation Act

A conference has been scheduled with the contractor's attorney in the above-entitled case in the office of our [redacted] for the morning of [redacted] The purpose of the conference is to draft a stipulation for presentation to the Tax Court at the trial of the above case in July 1953. The excessive profits involved total $2,400,000.

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It is requested that Special Agent John Buster of your Cleveland office be authorized to attend the above conference since numerous accounting adjustments made by Special Agent Buster in his examination of petitioner's books will largely be the subject matter of the conference. Since at least several days of preparation will be required for the conference it is requested that Special Agent Buster report to our [redacted] in Room 3134 at 10:00 A.M. on the morning of [redacted] It is believed that Mr. Buster's services will be required to and including April 14, 1953.

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b7C

Warren E. Burger
WARREN E. BURGER
Assistant Attorney General
Civil Division

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MAR 31 1953
4-7

MAR 30 1953
FBI — DEPARTMENT OF JUSTICE

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April 9, 1953

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SAC, CLEVELAND
(46-783)

RECORDED - 23 46-783-22

THE AUSTIN COMPANY VS. SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 104R, RENEGOTIATION ACT. REUR AIRTEL APRIL SIX LAST. CIVIL DIVISION REQUESTS SA JOHN K. BUSTER REPORT WASHINGTON, D. C. 10:00 A. M. APRIL 16 NEXT FOR CONFERENCES. CIVIL DIVISION BELIEVES SA BUSTER'S PRESENCE WILL BE NECESSARY UNTIL AND INCLUDING APRIL 21 NEXT. SA BUSTER SHOULD REPORT ROOM 4712, BUREAU, PRIOR TO CONFERENCE. SUTEL IMMEDIATELY IN EVENT SA BUSTER NOT AVAILABLE.

HOOVER

G.I.R.-9

CJM:MAH

CC: Mr. Glavin

This case involves a suit in the U. S. Tax Court seeking redetermination of excessive profits in the amount of $2,400,000. SA John Buster of the Cleveland Office conducted an accounting investigation. By memo 3-25-53, Civil Division previously requested that SA Buster report to Washington on April 9, 1953. By airtel dated 4-6-53 Cleveland advised SA Buster was tied up on a trial in Owensboro, Ky. and would not be available before 4-13-53. Attorney [redacted] Civil Division now requests that SA Buster report to Washington on 4-16-53. This request was made on 4-9-53.

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Belmont
Clegg
Glavin
Harbo
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Winterrowd
Tele. Rm.
Holloman
Gandy

COMM - FBI
APR 9 1953
MAILED 31

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4712

FD-36

FEDERAL BUREAU OF INVESTIGATION

UNITED STATES DEPARTMENT OF JUSTICE

Transmit the following Teletype message to: BUREAU

FBI, CLEVELAND 4-6-53

DIRECTOR, FBI

THE AUSTIN CO. VS. SECRETARY OF THE NAVY, TAX COURT DOCKET NO. ONE NAUGHT FOUR R; RENEGOTIATION ACT. REURAIRTEL APRIL FIRST, FIFTYTHREE. SA JOHN K. BUSTER NECESSARY WITNESS TRIAL OF [redacted] WEDNESDAY, [redacted] FOR PERIOD 2 OR 3 DAYS AND WILL NOT BE AVAILABLE TO REPORT WASHINGTON BEFORE MONDAY, APRIL 13. ADVISE.

END.

MC CABE

CAH-jmc
46-783

cc: [redacted]

RECORDED - 23

46-14692

APR 8 1953

Approved: _____ Sent _____ M Per _____

Special Agent in Charge

SAC, Cleveland

May 1, 1953

RECORDED - 4 Director, FBI (46-14692) - 23

0-1 to Clev. (2) 5/26/53 Grm/pa
0-1 rec'd 6/1/53
ypk submitted 5/25/53. SM John K. Bustin Grm/pa

THE AUSTIN COMPANY v. SECRETARY OF THE NAVY;
TAX COURT DOCKET NO. 104-R
RENEGOTIATION ACT

There is being enclosed herewith for each office one copy of a self-explanatory memorandum dated April 28, 1953, from Assistant Attorney General Warren E. Burger. The enclosures referred to in Mr. Burger's memorandum are being transmitted to the Cleveland Office under separate cover by railway express.

The Bureau desires that the Cleveland Office give this matter immediate and continuous attention and promptly set forth any necessary leads for auxiliary offices. Inasmuch as the case is presently set for trial before a division of the Tax Court in Cleveland, Ohio, beginning July 6, 1953, the Bureau desires that the entire investigation in this matter be completed no later than June 15, 1953.

The Bureau and Washington Field Office should be informed of the nature of the leads being set forth for auxiliary offices and all auxiliary offices should be instructed by the Cleveland Office to submit reports in this matter to the Bureau by routing slip for the attention of the Investigative Division, Accounting and Fraud Section.

As requested by the Civil Division, the Bureau should be informed when the contracts have been assembled in order that the Civil Division may be advised of this fact in the event they deem it advisable to have a Department attorney analyze the contracts.

Enclosures
cc: 2-Washington Field, with enclosures
cc: 1-Package (RAILWAY EXPRESS)

Tolson
Ladd
Nichols
Belmont
Clegg
Glavin
Harbo
Rosen
Tracy
Gearty
Mohr
Winterrowd
Tele. Room
Holloman
Sizoo
Miss Gandy

NOTE: The enclosures being forwarded Cleveland under separate cover have been sent to the Supply Room for forwarding to Cleveland.

CJM:ige

78 MAY 12 1953

COMM — FBI
MAY 1 1953
MAILED 25

b6
b7C

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. J. Edgar Hoover, Director
Federal Bureau of Investigation

DATE: April 28, 1953

FROM : Warren E. Burger, Assistant Attorney General
Civil Division

WEB:JHP
152-104

WEB.

SUBJECT: The Austin Company v. Secretary of the Navy;
Tax Court Docket No. 104-R.
Renegotiation Act

At a conference held in Washington on April 20, 1953 between counsel for the contractor, one of their vice presidents, our Mr. [redacted] and Special Agent John K. Buster of your Cleveland office, it was agreed that considerable further investigation of the contractor's records was necessary in order to ascertain facts for the purpose of properly preparing a stipulation of facts for the Tax Court in the trial of this renegotiation case. The case is presently set for trial before a division of the Tax Court in Cleveland, Ohio, on a calendar beginning July 6, 1953.

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EXPEDITE PROCESSING.

The case involves a petition filed in the Tax Court by the Austin Company, of Cleveland, Ohio, for a redetermination of their excessive profits totalling $2,400,000 for their fiscal years 1941 and 1942. The contracts were fixed price, cost-plus-a-fixed-fee, guaranteed maximum and cost plus a percentage of costs contracts under Defense Plant Corporation contracts, prime contracts with the Army and the Navy, and subcontracts under prime contracts with these Departments. The Austin Company constructed defense and industrial plants of a value of approximately $300,000,000 in 1941 and 1942.

In its operations the contractor produced structural steel in its division known as "Bliss Mill". This steel was used in the performance of its fixed price and cost-plus-fixed-fee contracts and apparently was charged, in the case of the cost plus contracts, to reimbursable costs at a price of approximately $123 per ton. This figure included a profit element. Similarly, costs representing charges for use of company owned equipment and engineering services rendered included a profit element charged to reimbursable costs in excess of actual costs. A like situation may have prevailed in charging as perishable, non-capitalized tool costs an amount in excess of actual depreciation and other applicable costs. In the case of cost-plus-a-fixed-fee contracts it is not known whether the contract provisions permitted the inclusion in reimbursable costs of the profit element described above. In a trial of this case the Department will probably argue that where the contracts did not so provide, the entire added profit is excessive and if the contracts did so provide, that some of the profits charged were unreasonable and, to that extent, were excessive. Since the reimbursable costs

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on cost-plus-fixed-fee contracts approximate $250,000,000 for the years 1941 and 1942 this question may be of considerable importance in the trial of this case. For this reason it is requested that all of the contractor's contracts, including fixed price, cost-plus-fixed-fee and others be examined to determine whether the profit above described was properly included in costs within the meaning of the applicable provisions of the contracts. Mr. Gilmore, Vice President of the Austin Company, has agreed to make these contracts available for analysis. It is further requested that Mr. Buster advise this office when the contracts have been assembled in the event that an analysis by the Department attorney to whom the case is assigned is considered advisable.

There are described below several schedules which should be prepared for use in the proposed stipulation to the Tax Court. In all of the requested schedules the costs should be broken down to include each separate item of cost usually set forth in the cost of sales and cost of Goods Sold elements of a profit and loss statement. Where cost figures involve Bliss Mill operations, engineering service costs, company owned equipment rental charges and perishable tool charges only the actually incurred costs should be included in the schedules and the profit element described above should be shown separately on a schedule supplemental to the primary schedule involved. It is not expected that the contractor will agree to the disallowance of any of these profits as unreasonable costs.

In the schedules requested below, figures pertaining to cost-plus-fixed-fee contracts and cost-plus-a-percentage- of-cost contracts should be shown only as costs and fees and should not be totaled to represent "sales" figures.

There is set forth below the requested information and schedules which will be necessary for the proper preparation of this case for trial.

1. The contractor's Vice President, Mr. Gilmore, will make available a list of approximately 26 contracts (along with the pertinent "Plancor"numbers) which were executed by the contractor and Defense Plant Corporation and/or industrial concerns acting as agents for DPC. Counsel agree that all business secured from these contracts is subject to renegotiation where final payment was made after April 28, 1942, subject to counsel's reservation of a constitutional question. It is requested that a preliminary report be submitted as soon as possible showing, for each of the approximately 26 DPC contracts the name of the prime contractor with whom the Austin Company contracted, the prime contract number (if signed by DPC), the "Placor" number, a brief description of the plant and facilities constructed and the location thereof. In the final report, the DPC receipts, accruals and profits should be shown as follows for <u>each</u> of the fiscal years 1941 and 1942:

a. Fixed Price DPC Contracts

Sales, costs and profits showing DPC contracts on which final payment was made before April 28, 1942. Sales, costs and profits for 1941 and 1942 from DPC fixed price contracts where final payment was made on or after April 28, 1942 and before July 1, 1943. Sales, costs and profits for 1941 and 1942 from DPC fixed price contracts where final payment was made on or after July 1, 1943.

b. Cost-Plus-A-Fixed-Fee DPC Contracts

The same information requested above for fixed price DPC contracts should be shown for CPFF contracts except that the schedules should show properly reimbursable costs (see discussion above re showing questionable "Bliss Mill" etc. profits as costs) and the fees derived therefrom.

2. The contractor maintains that prime contract NOy-4210 dated July 11, 1940 is a severable contract and that the approximately eleven supplementary agreements executed under Contract NOy-4210 are actually individual contracts. Total costs and fees under this contract were approximately $70,000,000. It is therefore requested that a schedule be prepared showing the "properly reimbursable costs" plus the fixed fees involved for the years 1941 and 1942 derived from each supplement and under the contract as originally executed. The date of final payment should be shown for the work performed on each supplement and under the contract as originally executed. A consolidated schedule should then be prepared showing the costs and fees under each supplement and/or the original contract for the years 1941 and 1942 where final payment was made before April 28, 1942 and where final payment was made on or after April 28, 1942.

3. A separate schedule should be prepared showing the sales, costs and profits for 1941 and 1942 on all fixed price prime contracts between the Austin Company and Departments of the Government named in the Renegotiation Act (exclusive of DPC provided for above) with a segregation for 1941 and 1942 between contracts on which final payment was made before April 28, 1942 and on which final payment was made on or after April 28, 1942.

4. The Austin Company entered into numerous fixed price and cost-plus-fixed-fee contracts in 1940-1-2 with private corporations for the construction of buildings and facilities. Mr. Gilmore has agreed to make available for FBI examination copies of these contracts, their supplements and change orders. All such contracts should be considered nonrenegotiable if final payment thereunder was made to the Austin Company before April 28, 1942. Where final payment was made on or after April 28, 1952, an examination should be made of each

of the contracts involved to determine whether, under its terms, title to the plant and facilities was to be in the Government immediately or ultimately. If so, all receipts and accruals or fees thereunder should be considered entirely renegotiable, unless the contract, by its terms, is specifically exempted from renegotiation. If title is not to be in the Government immediately or ultimately the receipts, accruals and attendant sales costs and profits and/ or fees should be segregated between (1) those attributable to construction of the building itself and all utilities, piping, elevators, heating, lighting, air-conditioning and like installations which by their nature do not pertain to the production or manufacture of the products for which the building was constructed (all of which should be listed as nonrenegotiable) and (2) the receipts etc. which are attributable to machinery and equipment such as vats, assembly lines, cranes, ramps, jigs etc. installed in the building primarily for use in connection with the production and manufacture of the products for which the plant was designed, constructed and used. In the case of this latter group (No. 2) a preliminary report should be submitted showing the figures requested for 1941 and 1942 in totals by contract for each prime contractor involved, and the date of completion of each prime contract set forth. An attempt will then be made by this office to determine the percentage of renegotiability by reference to the appropriate records of the War Contracts Price Adjustment Board pertaining to the renegotiation of the prime contractors.

5. Mr. Gilmore has agreed to make available for FBI examination all pertinent books and records in order to determine the approximate amount of the business for 1941 and 1942 which was subcontracted to others. A possible typical source of this information may be the Cleveland, Ohio, Field office records of the Austin Company. It is requested that appropriate records be examined in Cleveland and, if necessary, in the various Austin branch offices, to determine the amount of subcontracting and that, in the preparation of the various schedules requested herein, the amount of subcontracting be shown separately as an item of cost.

There is forwarded herewith pertinent files of the Navy Price Adjustment Board which will be helpful to your accountants in their further investigation.

Enc. No. 187156

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI (46-14692) DATE: May 25, 1953

FROM : SAC, Cleveland (46-783)

SUBJECT: THE AUSTIN COMPANY v. SECRETARY OF THE NAVY; TAX COURT DOCKET NO. 104-R RENEGOTIATION ACT

ReBulet 5-1-53, and enclosed report.

There are enclosed herewith four copies of the report of SA JOHN K. BUSTER, dated 5-25-53.

The contracts referred to in Departmental memorandum, dated April 28, 1953, have been reviewed and assembled and are available for an examination by Departmental attorney's.

The agents conducting this investigation are presently surveying the Cleveland District Files. This phase of the investigation must be completed in order to intelligently set forth leads and instructions to auxiliary offices.

For the information of the Bureau, The Austin Company's headquarters are located in East Cleveland, Ohio. They operate the following District Offices, which maintain all the original accounting data: b6 b7C

Cleveland	Chicago
New York	Houston
Detroit	Oakland
Seattle	

In the event the sub-contracting (set forth later in memo) must be checked in detail, it would entail setting forth leads to the Bureau Field Offices, encompasing the Austin District Offices, to gather this data.

The method of accounting used by the Austin Company is such that all details are kept in the District Offices, while the summaries are contained on work sheets in the Cleveland Office.

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Director, FBI

The total sales of Petitioner for the years 1941 and 1942 approximate $300,000,000. The greater percentage of these sales are on a fee basis, i.e., cost-plus-a-fixed-fee, guaranteed maximum, and cost plus a percentage of costs.

There is contained in this total of $300,000.000., an amount that is sub-contracted on every job, such as glazing, painting and decorating, sheet metal and duck work, roofing, plumbing, etc.

Likewise if condition warrant, some of the excavating and labor would be sub-contracted.

The Department in defending the action and determination of the Navy Price Adjustment Board is contemplating challenging the contractor, that the fees paid and the resulting excessive profit is too high. That because a good deal of the work was sub-contracted, the total sales figure does not represent in its entirety the Austin Company's skill and ingenuity.

Therefore the Departmental attorney handling this case has instructed that the exact amount of sub-contracting be determined.

Because of the type of accounting system used by construction engineers and designers, which has been in use for years and which they have found successful, in order to ascertain the sub-contracting accurately, it has been estimated, and this is due to their system as set forth above, that 500 agent days would be required.

This estimate was made by the reporting Agents after a careful survey and with the help of Mr. GILMORE, who formerly worked for the CPA firm of Ernst and Ernst and is now a Vice-President of the Austin Company.

It is suggested that the Department be advised of the magnitude of the task involved. It is believed that a conference with the Departmental attorney handling this case would in all probability result in a revision or elimination of much of the data requested by the Department.

Director, FBI

It is pointed out for the information of the Bureau that SA BUSTER, who is now a Resident Agent at Toledo, Ohio, conducted considerable accounting investigation in this case in 1949 and is familiar with the accounting record of the Austin Company. For this reason and in order to expedite this investigation SA BUSTER has been assigned this case as a special in Cleveland, headquarters city, and the necessary additional accounting personnel will be made available in order to complete this investigation at the earliest possible date.

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON FIELD

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
CLEVELAND	5/25/53	5/11-21/53	JOHN K. BUSTER lvh

TITLE	CHARACTER OF CASE
THE AUSTIN COMPANY v. SECRETARY OF THE NAVY; TAX COURT DOCKET NO. 104-R	RENEGOTIATION ACT

TWO-WEEK REPORT

This investigation is predicated upon Bureau letter, dated May 1, 1953, with accompaning memorandum from Assistant Attorney General WARREN E. BURGER, setting forth in detail the investigation desired.

All contracts held by the Petitioner during the years 1941 and 1942 have been assembled.

In regard to Navy contract NOY-4210, the contract has been located in Cleveland, however, the accounting data is in the Seattle District Office. [redacted] has written to the Austin Company, Seattle District Office, requesting them to advise him as to what is available in these records. b6 b7C

[redacted] for this contract is now assigned to the Cleveland Office. [redacted] was interviewed concerning his recollection as to what records were maintained. He stated that separate costs were maintained on each job site. He also stated that he thought that a summary was prepared at the conclusion of each job. b7C b6

Investigation to date has been mainly assembling the various contracts. Also reviewing the DPC contracts.

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As requested in the Departmental memorandum, the 26 DPC contracts have been reviewed. The requested information

ENCLOSURE

APPROVED AND FORWARDED: Special Agent in Charge	DO NOT WRITE IN THESE SPACES
Letter in Routing Slip Dept.	46-14692-24
COPIES OF THIS REPORT 4-Bureau (46-14692) (Enc.) 2-Washington Field 2-Cleveland (46-783)	MAY 28 1953 RECORDED - 10

50 JUN 1 1953

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CV. F. O.
46-783

is submitted as an enclosure with this report for transmittal to the Department.

The investigation presently in progress is the surveying of the commercial contracts in the Cleveland District Office in order to ascertain what information is available regarding process equipment and sub-contracting, and the preparation of the various schedules as requested by the Department.

This investigation is being conducted by SA (A) [redacted] and the reporting Agent. b6 b7C

It is estimated that 120 agent days will be necessary in order to complete the Cleveland phase of this investigation.

ENCLOSURE TO BUREAU: List DPC Contracts.

CV. F. O.
46-783

REFERENCE: Bureau letter, 5-1-53.

Assistant Attorney General
Warren E. Burger

June 4, 1953

Director, FBI
RECORDED - 67 (46-14692) -24
THE AUSTIN COMPANY v. SECRETARY OF
THE NAVY; TAX COURT DOCKET NO. 104-R
RENEGOTIATION ACT

Reference is made to your memorandum dated April 28, 1953, and to the report of Special Agent John K. Buster, dated May 25, 1953, at Cleveland, Ohio, in the above-captioned matter. Your memorandum dated April 28, 1953, requests that appropriate records be examined in Cleveland and, if necessary, in the various Austin branch offices to determine the amount of subcontracting and that the amount of subcontracting be shown separately as an item of cost in the schedules to be prepared in this case.

Our Cleveland Office has advised that, because of the type of accounting system used by construction engineers and designers, it has been estimated that it will require 500 agent days to ascertain the amount of subcontracting. This estimate was made by agents of our Cleveland Office after a careful survey and with the help of Mr. Gilmore, formerly employed by the certified public accounting firm of Ernst and Ernst, who is now Vice President of the Austin Company.

Our Cleveland Office has suggested that a conference between Special Agent John K. Buster and the attorney assigned to this matter regarding the scope of the investigation to be performed concerning the subcontracting work might be desirable.

It is our understanding that [redacted] of your staff intends to go to Cleveland, Ohio, in the near future in order to review the Defense Plant Corporation contracts in this matter. It is suggested that the Bureau be informed as to the exact date that [redacted] intends to be in Cleveland in order that arrangements can be made to have Special Agent John K. Buster available to confer with [redacted] concerning the scope of the investigation in this matter.

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Tracy
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Winterrowd
Tele. Room
Holloman
Sizoo
Miss Gandy

cc: 1-Cleveland (46-783)
cc: Mr. Glavin
CJM:ige

SEE NOTE ON PAGE 2

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[redacted]

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NOTE: The attached memorandum from Cleveland dated May 25, 1953, points out that Special Agent John K. Buster, who is now a Resident Agent at Toledo, Ohio, has conducted considerable accounting investigation in this case and is familiar with the accounting records of the Austin Company. The Cleveland Office has advised that for this reason and in order to expedite the investigation, Special Agent Buster has been assigned this case as a special in Cleveland, Ohio, and that necessary additional accounting personnel will be made available in order to complete this investigation at the earliest possible date. It is noted that in this case the petitioner has filed a suit in the U. S. Tax Court seeking a redetermination of excessive profits totalling $2,400,000. Special Agent Buster has engaged in extensive conferences with the Department attorneys in Washington, D. C., concerning this case.

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MJB:JHP

152-104

bcw

May 20, 1953

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Re: The Austin Company v. Secretary of the Navy; Tax Court Docket No. 104-E.

Dear

You will recall that in a conference in Washington on April 20, 1953, among you, Special Agent John Buster of the Federal Bureau of Investigation and our it was agreed that additional accounting investigation would be made of petitioner's books and records. b6 b7C

On April 23, 1953, we requested the Director of the FBI to authorize Mr. Buster to make the additional investigation. We believe that he has already commenced his further examination. The memorandum to the Director outlined in considerable detail the scope of the additional investigation. We have requested the FBI to authorize Mr. Buster to discuss these accounting problems with you particularly to determine whether the information to be secured conformed with the matters agreed to in our conference of April 20, 1953. If, since our conference you have determined that there is additional accounting data which you may wish to stipulate to the Tax Court we suggest that you request Mr. Buster to verify such data during the course of his present examination.

Since it is agreed that the scope of the accounting investigation is such that it will not be completed in sufficient time for the trial of this case, presently set for July 6, 1953, may we suggest that you prepare a motion for continuance and supporting memorandum substantially in the form of prior motion for continuance granted by the Tax Court on January 13, 1953. Upon receipt of the motion we will sign it and attend to its filing in the Tax Court.

Sincerely yours,

WARREN E. BURGER
Assistant Attorney General
Civil Division

By:

EDWARD H. HICKEY
Chief, General Litigation Section

46-14612-25

SAC, Cleveland

May 28, 1953

RECORDED - 110 Director, FBI (46-14692)

THE AUSTIN COMPANY V. SECRETARY OF THE NAVY;
TAX COURT DOCKET NO. 104-R
RENEGOTIATION ACT

There is being enclosed herewith for the Cleveland Office two copies of a memorandum dated May 22, 1953, from Assistant Attorney General Warren E. Burger together with one copy of the enclosure referred to therein.

The Cleveland Office should contact petitioner's representatives to discuss the accounting problems in this matter if same has not already been done. The Agent should, of course, confine any discussion with petitioner's representatives solely to accounting problems, and no opinion should be expressed by the Agent as to merits of this case or possible settlement or stipulation.

Enclosure

CJM:feb

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MAY 29 1953
MAILED 28

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

Mr. Tolson

TO : Mr. J. Edgar Hoover, Director
Federal Bureau of Investigation

DATE: May 22, 1953

WCB FROM : Warren E. Burger, Assistant Attorney General
Civil Division

WEB:JHP

SUBJECT: The Austin Company v. Secretary of the Navy;
Tax Court Docket No. 104-R.

152-104

Renegotiation Act

We enclose herewith two copies of a self-explanatory letter dated May 22, 1953, to opposing counsel in the above-entitled Tax Court renegotiation case.

We request that one copy of this letter be forwarded to Special Agent John Buster of your Cleveland office and that he be authorized to confer with opposing counsel concerning the matter set forth in the enclosed letter.

Enc. No. 187130

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SAC, CLEVELAND (46-783) MAIL

THE AUSTIN COMPANY VS. SECRETARY OF THE NAVY, TAX COURT DOCKET #104-R; RENEGOTIATION ACT. CIVIL DIVISION [redacted] b6 b7C ADVISES CASE POSTPONED UNTIL FALL. INVESTIGATION SHOULD STILL BE GIVEN EXPEDITIOUS ATTENTION. [redacted] ADVISES HE IS UNABLE TO GO TO CLEVELAND FOR CONFERENCE IN IMMEDIATE FUTURE SINCE HE MAY BE TIED UP WITH ANOTHER CASE DURING ENTIRE MONTH OF JULY. ALL INVESTIGATION OTHER THAN THAT PORTION BEING HELD IN ABEYANCE PENDING CONFERENCE WITH [redacted] SHOULD BE CONDUCTED EXPEDITIOUSLY. ADVISE BUREAU APPROXIMATE DATE REPORT MAY BE EXPECTED COMPLETING INVESTIGATION OTHER THAN THAT PORTION BEING HELD IN ABEYANCE PENDING CONFERENCE WITH [redacted] b6 b7C

HOOVER

Buffle (46-14692)

NOTE:

[redacted] Civil Division, stated he will forward a memorandum to the Bureau advising that the hearing in this matter has been postponed. b6 b7C

CJM:mrs

Mrs

46-14692-26

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JUN 26 1953
COMM-FBI

62 JUL 3 1953

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI (46-14692)

DATE: July 3, 1953

FROM : SAC, CLEVELAND (46-783)

SUBJECT: THE AUSTIN COMPANY VS. SECRETARY OF THE NAVY,
TAX COURT DOCKET #104-R
RENEGOTIATION ACT

Re your airtel June 26, 1953.

It is expected that a report will be submitted to reach the Bureau by July 20, 1953.

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. J. Edgar Hoover, Director
Federal Bureau of Investigation

DATE: June 29, 1953

WEB:JHP
152-104

FROM : Warren E. Burger, Assistant Attorney General
Civil Division

SUBJECT: The Austin Company v. Secretary of the Navy;
Tax Court Docket No. 104-R.
Frauds Against the Gov't.

Mr. Tolson
Mr. Ladd
Mr. Nichols
Mr. Belmont
Mr. Clegg
Mr. Glavin
Mr. Harbo
Mr. Rosen
Mr. Tracy
Mr. Gearty
Mr. Mohr
Mr. Winterrowd
Tele. Room
Mr. Holloman
Mr. Sizoo
Miss Gandy

This will advise you that on June 19, 1953, the Tax Court granted the parties' joint motion for continuance of the above-entitled renegotiation case from the Cleveland, Ohio, July 6, 1953 calendar to the next scheduled Cleveland calendar.

In your memorandum to this office dated June 4, 1953, you requested that the Bureau be advised of the exact date on which our [redacted] intends to be in Cleveland in order to examine certain of petitioners' contracts and to make decisions which will affect the course of the examination of petitioners' books now being conducted by Special Agent John K. Buster of your office. Because of the present trial commitments of [redacted] it will not be possible for him to travel to Cleveland at any date earlier than August 10. We will advise you further when a definite date has been determined for [redacted] visit to Cleveland.

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI (46-14692)

DATE: July 27, 1953

FROM : SAC, Cleveland (46-783)

SUBJECT: THE AUSTIN COMPANY v. SECRETARY OF THE NAVY; TAX COURT DOCKET NO. 104-R
RENEGOTIATION ACT

Reference is made to the attached report of SA JOHN K. BUSTER at Cleveland, dated July 27, 1953.

There is being forwarded at the present time the work papers of the Special Agents who conducted this examination.

In view of the fact that [redacted] is expected in Cleveland for a conference approximately the middle of August in which additional investigation may be necessary in this case, the remaining bulky exhibit will be maintained in the Cleveland Office until the conclusion of this conference.

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JKB'mmc

Enclosures (4)

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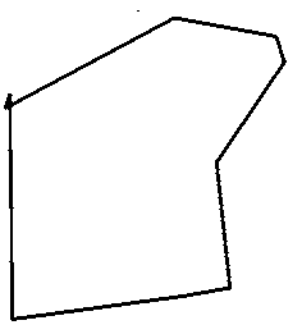

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FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C.

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
CLEVELAND	7/27/53	5/22-6/8; 7/2-21/53	JOHN K. BUSTER mmc

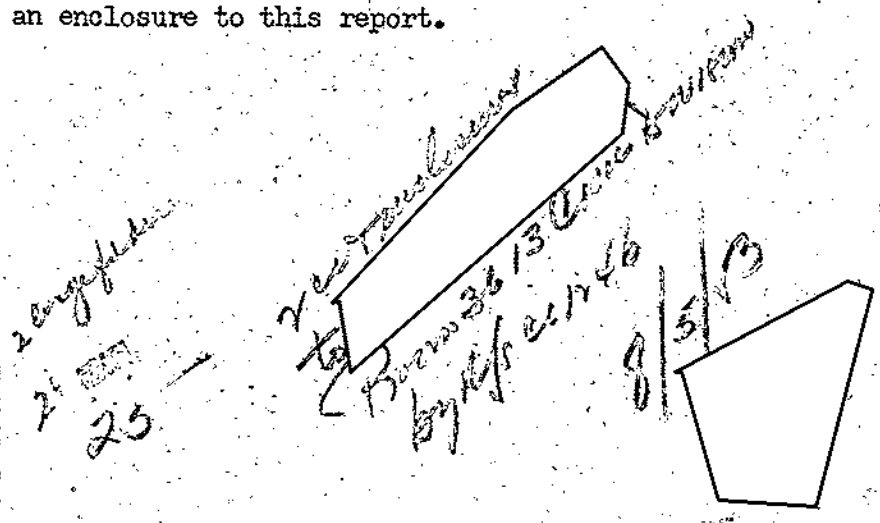
TITLE	CHARACTER OF CASE
THE AUSTIN COMPANY v. SECRETARY OF THE NAVY; TAX COURT DOCKET NO. 104-R	RENEGOTIATION ACT

SYNOPSIS OF FACTS: Review of contracts reflects Engineering and Bliss Mill charges in accordance with contract specifications. Totals set forth. Requested schedules submitted as enclosure.

- PS -

DETAILS: AT CLEVELAND, OHIO

This investigation is predicated upon Bureau letter, dated May 1, 1953 with accompanying memorandum from Assistant Attorney General WARREN E. BURGER setting forth in detail the investigation desired. Set forth as follows are the totals of the numbers requested in this memorandum and the detail work sheets are being forwarded as an enclosure to this report.



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APPROVED AND FORWARDED: SPECIAL AGENT IN CHARGE

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ENCLOSURE

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EX-123

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46-783

RENEGOTIABLE LUMP-SUM CONTRACTS (OTHER THAN DPC)

1941

Construction Costs	$1,076,049.94
Construction Fees	312,830.01
Engineering Costs	1,199.47
Engineering Fees	599.74
Bliss Mill Costs	none
Bliss Mill Fees	none
Equipment Rental Income	6,881.03
Allocated Operating Expense	27,121.74
Operating Profit	293,189.04
Total Profit (Bliss Mill plus Operating Profit)	293,189.04

1942

Construction Costs	$1,618,824.55
Construction Fees	285,307.87
Engineering Costs	36,153.35
Engineering Fees	23,482.49
Bliss Mill Costs	30,603.86
Bliss Mill Fees	11,257.26
Equipment Rental Income	13,227.82
Allocated Operating Expense	32,921.47
Operating Profit	289,096.71
Total Profit (Bliss Mill plus Operating Profit)	300,353.97

CV FO
46-783

RENEGOTIABLE GOVERNMENT CONTRACTS
(OTHER THAN DPC)
FINAL PAYMENT MADE PRIOR TO APRIL 28, 1942
1941

Construction Costs	$2,167,344.12
Construction Fees	362,128.26
Engineering Costs	18,000.38
Engineering Fees	13,269.03
Bliss Mill Costs	19,591.61
Bliss Mill Fees	4,559.00
Equipment Rental Income	9,725.20
Allocated Operating Expense	92,919.28
Operating Profit	292,203.21
Total Profit (Bliss Mill plus Operating Profit)	296,762.21

FINAL PAYMENT MADE AFTER APRIL 28, 1942
1941

Construction Costs	$23,888,624.00
Construction Fees	674,338.94
Engineering Costs	564,755.78
Engineering Fees	190,108.26
Bliss Mill Costs	5,474.98
Bliss Mill Fees	325.45
Equipment Rental Income	20,911.72
Allocated Operating Expense	495,174.34
Operating Profit	390,184.58
Total Profit (Bliss Mill plus Operating Profit)	390,510.03

CV FO
46-783

RENEGOTIABLE GOVERNMENT CONTRACTS
(OTHER THAN DPC)
CPFF-1942
FINAL PAYMENT MADE PRIOR TO APRIL 28, 1942

Construction Costs	$5,000,094.74
Construction Fees	94.74*
Engineering Costs	39.78
Engineering Fees	19.89
Bliss Mill Costs	none
Bliss Mill Fees	none
Equipment Rental Income	16.20
Allocated Operating Expense	122.60
Operating Profit	181.25*
Total Profit (Bliss Mill plus Operating Profit)	181.25*

FINAL PAYMENT MADE AFTER APRIL 28, 1942
1942

Construction Costs	$95,347,500.60
Construction Fees	1,919,663.69
Engineering Costs	1,433,422.16
Engineering Fees	176,488.88
Bliss Mill Costs	442,322.42
Bliss Mill Fees	196,406.10
Equipment Rental Income	34,516.75
Allocated Operating Expense	677,362.28
Operating Profit	1,453,277.04
Total Profit (Bliss Mill plus Operating Profit)	1,649,683.14

* Denotes Red Figure

CV FO
46-783

DPC-FIXED PRICE CONTRACTS
FINAL PAYMENT MADE BETWEEN APRIL 1, 1942 AND JULY 1, 1943
1941

Construction Costs	$554,705.48
Construction Fees	49,397.73
Engineering Costs	16,060.88
Engineering Fees	7,832.63
Bliss Mill Costs	37,659.56
Bliss Mill Fees	9,372.68
Equipment Rental Income	6,268.00
Allocated Operating Expense	25,590.50
Operating Profit	37,907.86
Total Profit (Bliss Mill plus Operating Profit)	47,280.54

FINAL PAYMENT MADE AFTER JULY 1, 1943
1941

Construction Costs	$168,598.57
Construction Fees	11,945.82
Engineering Costs	8,044.60
Engineering Fees	4,022.30
Bliss Mill Costs	none
Bliss Mill Fees	none
Equipment Rental Income	577.65
Allocated Operating Expense	6,919.98
Operating Profit	9,625.79
Total Profit (Bliss Mill plus Operating Profit)	9,625.79

CV FO
46-783

FINAL PAYMENT MADE BETWEEN APRIL 1, 1942 AND JULY 1, 1943
1942

Construction Costs	$627,598.03
Construction Fees	57,485.89
Engineering Costs	7,707.94
Engineering Fees	2,642.78
Bliss Mill Costs	46,274.93
Bliss Mill Fees	17,564.76
Equipment Rental Income	2,211.68
Allocated Operating Expense	7,528.71
Operating Profit	55,011.44
Total Profit (Bliss Mill plus Operating Profit	72,576.20

FINAL PAYMENT MADE AFTER JULY 1, 1943
1942

Construction Costs	$1,380,991.81
Construction Fees	112,865.63
Engineering Costs	11,965.49
Engineering Fees	5,950.36
Bliss Mill Costs	none
Bliss Mill Fees	none
Equipment Rental Income	8,059.07
Allocated Operating Expense	44,539.40
Operating Profit	82,335.66
Total Profit (Bliss Mill plus Operating Profit)	82,335.66

CV FO
46-783

RENEGOTIABLE DPC-CPFF CONTRACTS
FINAL PAYMENT MADE BETWEEN APRIL 1, 1942 AND JULY 1, 1943
1941

Construction Costs	$4,310,107.83
Construction Fees	311,425.42
Engineering Costs	114,555.74
Engineering Fees	34,002.73
Bliss Mill Costs	none
Bliss Mill Fees	none
Equipment Rental Income	12,244.98
Allocated Operating Expense	97,740.56
Operating Profit	259,932.57
Total Profit	259,932.57

FINAL PAYMENT AFTER JULY 1, 1943
1941

Construction Costs	$3,612,098.89
Construction Fees	186,384.02
Engineering Costs	265,682.81
Engineering Fees	66,850.87
Bliss Mill Costs	64,337.82
Bliss Mill Fees	15,438.17
Equipment Rental Income	11,686.17
Allocated Operating Expense	105,554.49
Operating Profit	161,699.27
Total Profit (Bliss Mill plus Operating Profit)	177,137.44

CV FO
46-783

RENEGOTIABLE DPC-CPFF CONTRACTS
FINAL PAYMENT MADE BETWEEN APRIL 1, 1942 AND JULY 1, 1943
1942

Construction Costs	$28,233,763.31
Construction Fees	891,834.99
Engineering Costs	345,098.94
Engineering Fees	98,249.76
Bliss Mill Costs	30,272.69
Bliss Mill Fees	13,792.89
Equipment Rental Income	59,515.13
Allocated Operating Expense	216,235.71
Operating Profit	833,364.17
Total Profit (Bliss Mill plus Operating Profit)	847,157.06

FINAL PAYMENT MADE AFTER JULY 1, 1943
1942

Construction Costs	$98,864,900.08
Construction Fees	2,029,582.83
Engineering Costs	2,152,143.73
Engineering Fees	715,106.45
Bliss Mill Costs	79,458.29
Bliss Mill Fees	43,579.83
Equipment Rental Income	160,865.06
Allocated Operating Expense	873,109.87
Operating Profit	2,032,444.47
Total Profit (Bliss Mill plus Operating Profit)	2,076,024.30

CV FO
46-783

All contracts referred to in Departmental memorandum, dated April 28, 1953 have been reviewed and assembled and are available for an examination by Departmental attorneys. A review of these contracts reflected that the Engineering and Bliss Mill charges were in accordance with contract specifications.

Referenced Departmental memorandum requested that properly reimbursable costs, plus fix fees involved for the years 1941 and 1942 derived from each supplement and under the contract as originally executed for prime contract NOY-4210, be obtained.

All records involved in this contract are in the Austin Company, Seattle District Office. Mr. PAUL GILMORE, Vice-President of the Austin Company, caused a search to be made by his organization of the type and costs maintained at their Seattle Office. Mr. GILMORE advised that his Seattle Office reported that costs were maintained by stations, that is, the location of the work performed. However, the costs were not broken down in these stations by releases. Therefore, it will be impossible from the available records to ascertain that a certain release was completed by a given date.

Referenced memorandum also requested that the exact amount of subcontracting be determined on each contract handled by the Austin Company. Because of the type of accounting system used by construction engineers and designers which has been in use for years, it is impossible from this type of record to ascertain the sub-contracting accurately.

ENCLOSURE: To Bureau - Agent's Work Sheets.

- P* -

CV FO
46-783

ADMINISTRATIVE PAGE

LEAD

CLEVELAND

At Cleveland, Ohio

Will report results of conference with [redacted] Departmental [redacted] relative to further investigation required. b6 b7C

REFERENCE: Bulet to Cleveland, dated May 28, 1953.

SEPTEMBER 21, 1953 RADIOGRAM

RECORDED - 40 46-14692-30

EX-124

SAC, BALTIMORE

THE AUSTIN COMPANY V. SECRETARY OF THE NAVY, TAX COURT DOCKET NUMBER ONE NAUGHT FOUR DASH R, RENEGOTIATION ACT. CIVIL DIVISION REQUESTS THAT SA JOHN K. BUSTER REPORT WASHINGTON, D. C. NINE A.M. SEPTEMBER TWENTYTHIRD, NEXT FOR CONFERENCE WITH DEPARTMENT [redacted] SA BUSTER INVESTIGATED THIS CASE DURING ASSIGNMENT AT CLEVELAND. SA BUSTER SHOULD REPORT ROOM FOUR SEVEN ONE SIX BUREAU PRIOR TO CONFERENCE.

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HOOVER

46-14692

CJM:rmb

NOTE: Movement Section states SA Buster arrived Baltimore 9-2-53 and ordered to Hyattsville as resident agent 9-21-53. The excessive profits in this case amount to $2,000,000.

NR. 22 0020

ENC. 0022-0043 BY

CK. BY

APPROVED BY

TYPED BY

FILED BY

RECEIVED READING ROOM SEP 21 6 PM '53

Tolson
Ladd
Nichols
Belmont
Clegg
Glavin
Harbo
Rosen
Tracy
Gearty
Mohr
Winterrowd
Tele. Room
Holloman
Sizoo
Miss Gandy

RADIO

SEP 21 1953

FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE
COMMUNICATIONS SECTION

11:39 P.M. RELAYED

SEP 21 1953

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

Mr. Tolson
Mr. Nichols
Mr. Belmont
Mr. Clegg
Mr. Harbo
Mr. Egan
Mr. Tracy
Mr. Gearty
Mr. Mohr
Mr. Winterrowd
Tele. Room
Mr. Holloman
Miss Gandy

TO : Mr. J. Edgar Hoover, Director,
Federal Bureau of Investigation

DATE: September 15, 1953

FROM : Mr. Warren E. Burger, Assistant
Attorney General, Civil Division

WEB:JHP:dsb
152-104

SUBJECT: The Austin Company v. Secretary of the Navy
Tax Court Docket No. 104-R.
Renegotiation Act

Please refer to our memorandum to you dated June 29, 1953, in which we advised you that we did not then know the exact date on which our [redacted] would be in Cleveland, Ohio in order to examine certain of petitioner's contracts and to make decisions which will affect the course of a further examination of petitioner's books which was being conducted by Special Agent John K. Buster of your Cleveland office. b6 b7C

Following the conclusion of the Louisville, Kentucky, Tax Court calendar beginning September 28, 1953, [redacted] will go to Cleveland for the purpose of conducting the examination of petitioner's contracts. It is requested that Mr. Buster (who, we understand has recently been transferred to your Baltimore office for duty as Resident Agent in Hyattsville, Maryland) be instructed to proceed to Cleveland in order to confer with [redacted] upon the conclusion of the Louisville Tax Court calendar. Since it is not now possible to state the exact date on which [redacted] will arrive in Cleveland, Mr. Prentice will advise your Mr. Christopher J. Moran from Louisville, Kentucky by wire when Mr. Buster should report to [redacted] at the Federal Bureau of Investigation office in Cleveland. b6 b7C

It is expected that Mr. Buster's services will be required for a period of approximately three days.

[redacted]

RECORDED - 40 46-1492 B

EX-124

[redacted] b6 b7C

46-1492

SEPTEMBER 24, 1953

SAC, BALTIMORE

THE AUSTIN COMPANY V. SECRETARY OF THE NAVY, TAX COURT DOCKET NO. ONE NAUGHT FOUR DASH R, RENEGOTIATION ACT. REBURAD TO BALTIMORE SEPTEMBER TWENTY TWO LAST. CIVIL DIVISION [redacted] HAS REQUESTED SA JOHN K. BUSTER, BALTIMORE OFFICE, REPORT CLEVELAND, OHIO, MONDAY SEPTEMBER TWENTY EIGHT NEXT FOR CONFERENCE OF APPROXIMATELY THREE DAYS DURATION FOR PURPOSE OF DISCUSSING SCOPE OF REMAINING ACCOUNTING INVESTIGATION AND TO ASCERTAIN WHAT PORTION PREVIOUS INVESTIGATION IS SUBJECT TO STIPULATION. SA BUSTER HAS ALREADY BEEN INFORMED OF REQUEST OF CIVIL DIVISION THAT HE PROCEED CLEVELAND SEPTEMBER TWENTY EIGHT NEXT.

HOOVER

RECORDED - 28 46-14692 - 30

CC: 2 CLEVELAND (MAIL)

CJM:DC

NOTE: This case involved excessive profits in the amount of $2,400,000. SA John K. Buster now assigned Baltimore as Resident Agent Hyattsville conducted extensive accounting investigation in this case when assigned to Cleveland and has participated in past conferences with Department attorneys. An examination of petitioner's subcontracting work which if checked in detail would require 500 Agent days has been held in abeyance until Civil Division [redacted] could go to Cleveland to review certain contracts and confer with Buster. In the interim SA Buster was transferred to Baltimore on 9/2/53. By memorandum 9/15/53, the Civil Division advised that [redacted] would proceed to Cleveland upon conclusion of another trial in Louisville, Kentucky.

NOTE CONTINUED ON PAGE 2

cc Mr. Glavin

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Ladd
Nichols
Belmont
Clegg
Glavin
Harbo
Rosen
Tracy
Gearty
Mohr
Winterrowd
Tele. Room
Holloman
Sizoo
Miss Gandy

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and requested that SA Buster be available for conferences in Cleveland. On 9/21/53, [redacted] advised the Louisville case has been dismissed and he would proceed to Cleveland directly from Washington in the near future. He requested that SA Buster confer with him on 9/23/53, in Washington and Baltimore made SA Buster available for this conference pursuant to Bureau radiogram 9/22/53. After this conference [redacted] said it would be necessary for Buster to attend conferences in Cleveland, Ohio, beginning 9/28/53, for approximately 3 days. These conferences may obviate a great deal of work to be done by other offices which would offset the cost of SA Buster's proceeding to Cleveland. Also during the three day period SA Buster will confer with [redacted] and petitioner's representatives to determine if stipulations can be reached. In view of SA Buster's familiarity with the case, it is recommended that he be authorized to attend the conferences in ~~Washington and~~ Cleveland.

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI

DATE: August 10, 195?

FROM : SAC, WFO (46-0)

SUBJECT: RENEGOTIATION CASES

The following renegotiation cases are presently pending in the files of the Washington Field Office.

These are cases which have been referred to the Bureau by the Department of Justice for investigation, but which have not been disposed of by the United States Tax Court.

The docket of the Clerk, United States Tax Court is checked monthly by WFO for all of the pending cases, which are as follows:

	TITLE	DOCKET NUMBER	WFO NUMBER
A	Acme Steel Company	282-580-760-R	46-2328
	The Alliance Brass and Bronze Company	633-R	46-1847
	The Alliance Brass and Bronze Company	829-R	46-2258
	American Textile Machine Company	836-837-R	46-2972
	Anderson Engineering Company, Inc.	731-R	46-2442
	Andover Motors Corporation	869-R	46-2514
	The Austin Company	104-R	46-1929
B	Barlow and Seelig Manufacturing Company	787-R	46-2225
	The Bayer Company	706-R	46-1884
	W. T., D. E., and [redacted] Partners, d/b/a Bittner Associates	354-R	46-2187
	Birmingham Ornamental Company	690-R	46-2193
	[redacted]		
	E. C. Brown Company	77-R	46-2100
C	Cannon Manufacturing Corporation	859-860-R	46-2348
	Cardinale Warehousing Corporation	723-R	46-2066
	Columbus Wood Preserving Company	877-R	46-2434
	M. J. Corboy Company	602-627-R	46-2141
	Coat Corporation of America	569-R	46-1596
	Coat Corporation of America	705-797-R	46-2392
	Consolidated Radio Products Company	623-R	46-2229
	Helene Curtis Industries, Inc.	888-R	46-2455
D	Detroit Steel Corporation	650-697-R	46-2155
	Detroit Steel Corporation	286-R	46-1525
E	The Ebco Manufacturing Company, Et Al	589-R	46-1632
	The Edward Valve and Manfacturing Company	308-R	46-1441

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EJA:MEE

NOT RECORDED
AUG 14 1953

CONFIDENTIAL

WFO (46-0)

	TITLE	DOCKET NUMBER	WFO NUMBER
E	[redacted]		
	Edward Valves, Inc.	813-814-R	46-2139
	Erie Basin Metal Products, Inc.	558-R	46-2336
F	Ferro Company Corporation	550-R	46-2523
	Ferris Instrument Corporation	273-326-R	46-2215
	The Finnie Company	665-R	46-2140
G	[redacted]		
H	[redacted]		
	(Philip Machine Shop)	466-610-R	46-2064
	[redacted] (Volcanic Specialtids Co.)	828-R	46-2257
	(Volcanic Specialties Co.)	634-R	46-2099
	Hooker Electro Chemical Company	454-663-795-R	46-1611
I	Iverson and Laux, Inc.	299-R	46-2208
J	[redacted] (Lamson and Company)	730-R	46-2440
	Jolart Metal Products Company	855-R	46-2332
	Joliet Industrials, Inc.	821-R	46-2270
	Joliet Chemicals, Inc.	820-R	46-2269
	Joliet Chemicals, Ltd.	818-R	46-2265
	Jowein, Inc.	765-R	46-2040
L	LaGrand Industrial Supply Company	659-R	46-1751
	Louisville Bridge and Iron Company	306-645-R	46-1807
K	Kennametal Company	900-R	46-2568
	Kennametal, Inc.	482-R	46-2291
	Keystone Carbon Company	743-R	46-2179
M	Maguire Industries, Inc.	885-886-R	46-2492
	Marine Manufacturing and Supply Company	642-R	46-1930
	Mathews Cotton Mill	756-R	46-2054
	Mathews Cotton Mill	807-R	46-2145
	M & R Products, Inc.	753-R	46-2086
	Metal Parts Corporation	771-R	46-2226
	Metal Parts Manufacturing Company	816-817-R	46-2249
	[redacted]		
N	[redacted] (Jolliet Chemicals, Ltd.)	819-R	46-2267
	Norfolk Tent and Awning Supply Company	775-R	46-2271
	Northwest Automatic Products Corporation	799-R	46-2239
	Northwest Automatic Products Corporation	798-R	46-2235
P	Pacific Chain and Manufacturing Company	831-832-R	46-2219
	Pacific-Atlantic Steamship Company	871-R	46-2334
	Palmer-Bee Company	898-R	46-2489
	Park Bloomington, Inc.	699-R	46-2389
	Park Sherman Company	707-R	46-2388
	Park Sherman Company	698-R	46-2387
	Peninsula Iron and Machine Works	830-R	46-2220
	Perry Metal Products Company	857-R	46-2333
	Perry Metal Products Company	856-R	46-2323

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WFO (46-0)

	TITLE	DOCKET NUMBER	WFO NUMBER	
P	Pick Manufacturing Company	717-718-R	46-2120	
	Plant Maintenance Corporation	876-R	46-2427	
	Portland-Pacific Company, Et Al	833-834-R	46-2218	
	Procelain Steels, Inc.	430-R	46-1439	
R	Rainwear, Inc.	704-R	46-2390	
	Regal Chemical Corporation	889-890-R	46-2483	
	Remington Arms Company	538-R	46-1809	
	Robersonville Tent Company	773-R	46-2268	
	W. A. Rushlight Company	427-428-R	46-1608	b6
S	[redacted]			b7C
	Scandia Manufacturing Company	778-R	46-2094	
	The Sebastian Lathe Company	769-770-R	46-2380	
	Shanaman Brothers	655-R	46-1747	
	Shanaman Brothers	875-R	46-2428	
	W. A. Sheaffer Pen Company	734-R	46-2132	b6
	[redacted]			b7C
	H. A. B. Sneve Company	343-R	46-2371	
	Southern Fireproofing Company	901-R	46-2600	
	South Hill Tent Company, Inc.	774-R	46-2260	
	States Steamship Company	872-R	46-2327	
	Stoner Manufacturing Corporation	370-R	46-1529	
	Stoner Manufacturing Corporation	80-R	46-1528	
T	Tarboro Tent Company	776-R	46-2266	
	Thomas Flexible Coupling Company	256-338-639-R	46-1574	b6
	[redacted]			b7C
U	United Metal Craft Company	866-R	46-2364	
	United Metal Craft Company	867-R	46-2363	
	U. S. Cartridge Company	470-716-R	46-1775	
V	Virginia Products Corporation	692-R	46-2063	
W	Weeks Stevedoring Company, Inc.	479-480-481-R	46-2221	
	White Stag Manufacturing Company	677-R	46-2062	
	Wilson Tent and Awning Company, Inc.	762-R	46-2057	
	H. E. Wolfe Construction Company, Inc.	503-R	46-1789	
Z	[redacted]			b6
H				b7C

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI (46-14692) DATE: September 30, 1953

FROM : SAC, Cleveland (46-783)

SUBJECT: THE AUSTIN COMPANY v.
SECRETARY OF THE NAVY;
TAX COURT DOCKET NUMBER 104-R
RENEGOTIATION ACT

ReBu air-tel, 9-24-53.

A conference was held September 29, 1953 at the offices of the Austin Company, 16112 Euclid Avenue, Cleveland, Ohio. In attendance at this conference were [redacted] SA (A) [redacted] and JOHN K. BUSTER for the Government, and PAUL GILMORE, Vice-President of the Austin Company, [redacted] and [redacted], Counsel for the petitioner. b6 b7C

It was the purpose of this conference to stipulate accounting data in preparation of the trial of this case in the United States Tax Court which is scheduled to sit in Cleveland November 9, next. As a result of this conference, the petitioners stated that they would concede that their excessive profits for the years 1941 and 1942 were $1,300,000. Petitioners further decided that they would make an offer to compromise, stating that their excessive profits for the year 1941 were $200,000 and that their excessive profits for the year 1942 were $1,100,000, for a total of $1,300,000 profits. [redacted] at this time stated that the petitioner should make this offer to compromise in writing to the Attorney General. Counsel for the petitioner stated that they would within the next few days send a formal offer of compromise to the Attorney General admitting their excessive profits to be $1,300,000. It was also decided at this time that in view of this offer to compromise, the petitioner's counsel would about the latter part of October, next petition the Tax Court for a continuance of the case set for November 9, next, in view of the fact that a compromise in this case is now pending. b6 b7C

[redacted] after this meeting, in conference with Bureau Agents, stated that he believed that this offer to compromise this case of $1,300,000 was an equitable one, inasmuch as only b6 b7C

RECORDED - 41 46-14692-31

JKB/hs

CC: Package

EX-104

OCT 7 1953

one case concerning cost plus fixed fee contracts had been decided in the Tax Court and that profits of 3.7 and 2.9 per cent respectively were left to the petitioner in this case, namely the Press Steel Car Company. The petitioners originally had stated that they believed their excessive profits for the years 1941 and 1942 were no more than $500,000. Mr. [redacted] felt that if this case went to the Tax Court, in view of the fact that the Navy Price Adjustment Board had declared excessive profits to be $2,400,000 which left the petitioner only a 1.33 per cent profit, the Government had a very strong chance of losing this case. This case has been pending for nine years and if the Government would lose this case, the $500,000 which the petitioner has paid to the Government at 4 per cent interest for nine years would be approximately $180,000. b6 b7C

[redacted] felt that because of the accounting data and information prepared by this Bureau, he was able to convince the petitioner at this conference that their excessive profits were in excess of $500,000 and hence the petitioner made this offer to compromise of $1,300,000. b6 b7C

In view of this offer to compromise and the likelihood that this offer will be accepted by the Government, the exhibits now in the Cleveland Office of this case are being forwarded under separate cover to the Bureau for return to the Department.

FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

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To: COMMUNICATIONS SECTION. JANUARY 13, 1954 AIRTEL

Transmit the following message to: SAC, BALTIMORE MAIL

RECORDED-97 46-14692-32

THE AUSTIN COMPANY V. SECRETARY OF THE NAVY, TAX COURT NO. 104-R, RENEGOTIATION ACT. CIVIL DIVISION REQUESTS SA JOHN K. BUSTER, RESIDENT AGENT, HYATTSVILLE, MARYLAND, REPORT WASHINGTON, D. C., TEN A.M., JANUARY 18, 1954, FOR CONFERENCE OF APPROXIMATELY TWO DAYS' DURATION WITH CIVIL DIVISION [redacted] AND REPRESENTATIVES OF DEPARTMENT OF NAVY AND RENEGOTIATION BOARD. SA BUSTER SHOULD REPORT ROOM 4716, BUREAU, PRIOR TO CONFERENCE. SUTEL IMMEDIATELY IN EVENT SA BUSTER NOT AVAILABLE.

b6
b7C

HOOVER

46-14692

CC: MR. GLAVIN

CJM:IGE

NOTE: In this case, petitioner has filed suit for redetermination of excessive profits in the amount of $2,400,000. SA John K. Buster, now assigned to the Hyattsville Resident Agency, conducted a comprehensive accounting investigation in this case during the time he was assigned to Cleveland, Ohio.

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Belmont
Clegg
Glavin
Harbo
Rosen
Tracy
Laughlin
Mohr
Tele. Rm.
Holloman
Gandy

COMM — FBI
JAN 13 1954
MAILED 28

JAN 19 1954

SENT VIA _____ M Per _____

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : J. Edgar Hoover, Director,
Federal Bureau of Investigation

DATE: Jan. 11, 1954

FROM : Warren E. Burger, Assistant
Attorney General, Civil Division

WEB:JHP:dsb
152-104

SUBJECT: The Austin Company v. Secretary of the Navy.
Tax Court No. 104-R.
Renegotiation Act

Mr. Tolson
Mr. Nichols
Mr. Boardman
Mr. Belmont
Mr. Mason
Mr. Tracy
Mr. Winterrowd
Tele. Room
Mr. Holloman
Miss Gandy

A conference has been scheduled for January 19, 1954 with representatives of the Department of the Navy and the Renegotiation Board in order to discuss petitioner's offer in compromise proposed to the Department in the above entitled Tax Court renegotiation case. b6 b7C

Special Agent John K. Buster, resident agent in Hyattsville, Md., examined petitioner's books and records and submitted several accounting reports which will, among other things, be the subject of the conference on January 19, 1954. It is requested that Special Agent Buster be instructed to attend this conference and further that he be instructed to report to our [redacted] Room 3134, Department of Justice Building, at 10:00 a.m. on January 18, 1954. It is believed that one day of conferring between Mr. Buster and [redacted] will be necessary in preparation for the conference on January 19, 1954. b6 b7C

RECORDED-97

46-14692-30

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EX-[illegible]

JAN 12 1954

-14-

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46-14692

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI (46-14692)

DATE: January 15, 1954

FROM : SAC, CLEVELAND (46-783)

SUBJECT: THE AUSTIN COMPANY v.
SECRETARY OF THE NAVY
TAX COURT DOCKET NUMBER 104-R
RENEGOTIATION ACT

Remylet 9/30/53.

A review of the file in this case indicates that there is no further investigation to be conducted by this office.

In view of the foregoing, this matter is considered RUC by this office.

CAH-jmc

1 cc: Washington Field (46-1929)

RECORDED - 68

46-14692 - 33

20 JAN 18 1954

EX-127

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Mr. Tolson
Mr. Boardman
Mr. Nichols
Mr. Belmont
Mr. Harbo
Mr. Mohr
Mr. Parsons
Mr. Rosen
Mr. Tamm
Mrs. Holmes
Mr. Gurnea
Mr. Winterrowd
Tele. Room
Mr. Hollman
Miss Gandy

Lbridgrdab

152-104

February 21, 1955

Department of the Navy,
Washington 25, D. C.

Attn: General Counsel

Re: The Austin Co. v. The Sec. of the Navy Tax Ct. No. [redacted]

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Gentlemen:

As your files will indicate, in your letter of September 3, 1954 you indicated that you would be content to abide by this contractor's position in the matter of endeavoring to compromise the above Tax Court litigation case. At that time the matter was under consideration a compromise proposal submitted by the contractor on the terms of which the parties would stipulate to the Tax Court that the Austin Company had sustained excessive profits in the amount of [redacted] and $1,100,000 for the contractor's fiscal years ended December 31, 1941 and December 31, 1942.

After careful consideration of the offer and after having secured the opinion of the Renegotiation Board, it was determined that the offer should be rejected and a counteroffer submitted to the contractor. Accordingly, the offer was rejected and, on February 7, 1955, counsel for Austin advised the Tax Court that the counteroffer was acceptable. Under the terms of the counteroffer the parties agreed to stipulate to the Tax Court that the Austin Company had realized excessive profits in the amounts of $[redacted] and $1,250,000 for the respective fiscal years 1941 and 1942.

Accordingly, and after the filing of a stipulation of settlement, the Tax Court, on February 16, 1955, entered its

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46-1469-2

cc - WFO (46-1929)
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EX-112
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decision ordering and determining that the Austin Company had realized excessive profits in the respective amounts of $300,000 and $1,200,000 for 1941 and 1942.

The Tax Court decision supersedes the unilateral order of the Navy Price Adjustment Board dated August 14, 1944 under the terms of which the contractor's excessive profits had been determined to be in the respective amounts of $300,000 and $2,600,000 for the calendar years 1941 and 1942.

The Department has closed its file in this case.

Yours very truly,

WARREN L. [redacted]
Assistant Attorney General
Civil Division

By:
Edward H. Hickey
Chief, General Litigation Section

cc: Renegotiation Board
Federal Bureau of Investigation
Internal Revenue Service
Mr. Curtis A. Nordskog, Chief,
Renegotiation Rebate Branch,
General Services Administration.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI

DATE:

FROM : SAC, WFO (46-0)

SUBJECT: PENDING RENEGOTIATION CASES

The following renegotiation cases are presently pending in the files of WFO subject to a monthly check of the docket, United States Tax Court:

TITLE	DOCKET NO.	WFO NO.
Acme Steel Co.	282-R	46-2328
	580-R	
	760-R	
American Textile Mach. Corp.	936-R	
	837-R	46-2972
Anderson Engineering Co.	731-R	46-2442
Andover Motors Corp.	869-R	46-2514
Austin Company	104-R	46-1929
Bayer Company	706-R	46-1884
Bittner Associates	354-R	46-2187
[redacted]		
Cardinale Warehousing Corp.	723-R	46-2066
Coat Corp of America	569-R	46-1596
Coat Corp of America	705-R	46-2392
Coat Corp of America	797-R	46-2392
Columbus Wood Preserving Co.	377-R	46-2434
Consolidated Radio Products Co.	623-R	46-2229
Corboy Co. M-J.	602-R	
	627-R	46-2141
Edwards Valve & Mfg. Co.	308-R	46-1441
Edwards Valve & Mfg. Co.	813-R	
	814-R	46-2139
[redacted]		
Erie Basin Metal Products, Inc.	558-R	46-2336
Ferro - Co-operative	550-R	46-2523
Ferris Instrument Corp	273-R	
" " "	326-R	46-2215
Finnie Company	665-R	46-2140
Fletcher Aviation Co.	906-R	46-3339
Gamelin et. al	902-R	46-2557
[redacted]		
	610-R	46-2064
Lamson & Co et al	730-R	46-2440

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WFO 46-0

TITLE	LOCKET NO.	WFO NO.
JoLart Metal Products Co.	855-R	46-2332
" " " "	820-R	46-2269
" " " "	818-R	46-2265
" " " "	821-R	46-2270
Kenametal Inc.	900-R	46-2568
" "	482-R	46-2291
Keystone Carbon Co.	743-R	46-2179
Maguire Industries, Inc.	885-R	46-2492
	886-R	
Marine Mfg. & Supply Co.	642-R	46-1930
Metal Parts Corp.	771-R	46-2226
M & R. Products. Co.	753-R	46-2086
[redacted]		
Northwest Automatic Screw Pro. Corp.	798-R	46-2235
Ohmer Corporation	792-R	46-2979
Pacific Chain & Mfg. Co.	831-832-R	46-2219
Pacific-Atlantic S.S. Co.	871-R	46-2334
Palmer-Bee Co.	898-R	46-2489
Park-Bloomington, Inc.	699-R	46-2389
Park Sherman Co.	707-R	46-2388
" " "	698-R	46-2387
Peninsula Iron & Machine Works	830-R	46-2220
Perry Metal Products Co.	857-R	46-2333
" " " "	856-R	"
Peck Manufacturing Co.	717-R	46-2120
Peck Industries Inc	718-R	"
Plant Maintenance Corp	876-R	46-2427
Poirier & Mc Lane Corp	"	"
Portland-Pacific Co	833-34-R	46-2218
Rainwear Inc.	704-R	46-2390
Regal Chemical Corp	889-R	26-2483
Tedlee Chemical Corp	890-R	46-2483
Remington Arms Co	538-R	46-1809
Rushlight, W.A.,Co	427-28-R	46-1608
[redacted]		
Scandia Mfg. Co.	778-R	46-2094
Sebastian Lathe Co.	769-770-R	46-2380
Shanaman Brothers	655-R	46-1747
[redacted]		
Shaeffer, W.A. Pen Co.	734-R	46-2132
States Steamship Co.	872-R	46-2327
Triangle Rubber Co	911-R	46-3338
United Metalcraft Co.	866-R	46-2364
" " "	867-R	46-2363

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WFO 46-0

TITLE	DOCKET NO.	WFO NO.
U.S. Cartridge Co.	470-716-R	46-1775
Virginia Products Corp	692-R	46-2063
Weeks Stevadoring Co	479-480-481-R	46-2221
White Stag Mfg. Co.	677-R	46-2062
Wolfe Construction Co	503-R	46-1789
[redacted]		

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Assistant Attorney General
Warren E. Burger

March 10, 1954

Director, FBI

46-14692-4

The Austin Company v. Secretary of the Navy
Tax Court Docket No. 104-R
RENEGOTIATION ACT

Reference is made to your memorandum dated March 3, 1954, in the above-captioned matter.

The Bureau has no objection to your loaning copies of Bureau accounting reports in this and other Civil Renegotiation Act cases to the Department of the Army, Department of the Navy, General Services Administration, Department of Commerce, and the Reconstruction Finance Corporation for their consideration in reviewing offers in compromise, providing that you deem such procedure advisable.

It is our understanding that in cases where copies of Bureau reports are loaned to the above agencies by the Civil Division, the agency involved will return such reports to the Civil Division upon completion of the review.

66-6200-46

cc: 46-14692

NOTE: By memorandum dated May 28, 1952, we advised the Civil Division that we had no objection to their loaning copies of Bureau reports in Civil Renegotiation Act cases to the Renegotiation Board for the Board's consideration in reviewing offers in compromise.

The attached memorandum dated 3-3-54 from Assistant Attorney General Warren E. Burger points out that in cases arising out of the Renegotiation Act of 1942 offers in compromise will not be handled by the Renegotiation Board, but will be handled by certain agencies named in the Renegotiation Act of 1942. The Civil Division has requested that we provide them with blanket authority to loan Bureau accounting reports in Civil Renegotiation Act cases to the Department of the Army, Department of the Navy, General Services Administration, Department of Commerce, and the Reconstruction Finance Corporation for their use in evaluating offers in compromise arising out of the Renegotiation Act of 1942.

(Continued on next page)

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These investigations arise from requests by the Civil Division. The reports are of an accounting nature in almost every case, and the investigation is generally confined to a determination of the petitioner's profit and loss on renegotiable business for the year in question. It is felt administrative handling may be saved by giving the Civil Division blanket authority to loan reports to the agencies involved rather than authorizing these matters on an individual case basis. As stated above, we have already furnished them authority to loan reports in these cases to the Renegotiation Board.

Mr. J. Edgar Hoover, Director,
Federal Bureau of Investigation.

March 3, 1954

Mr. Warren E. Burger, Assistant
Attorney General, Civil Division.

WEB:JHP:dsb
104-R.

The Austin Company v. Sec. of the Navy.
Tax Court Docket No. 104-R.

In the above entitled Tax Court renegotiation case the contractor has submitted an offer in compromise to the Department of Justice totaling $1,300,000 in lieu of the determinations of excessive profits for the years 1941 and 1942 made by the Navy Price Adjustment Board in amounts totaling $2,400,000. The Department of the Navy has been requested to provide us with a recommendation with respect to the offer in compromise.

As your files will indicate, you have previously provided the Civil Division with blanket authority to loan FBI accounting reports to the Renegotiation Board in connection with considering their recommendations on offers in compromise submitted to the Department of renegotiation cases arising under the Renegotiation Act of 1943. The Renegotiation Board is the statutory successor to the War Contracts Price Adjustment Board which made the determinations of excessive profits under the Renegotiation Act of 1943.

However, determinations of excessive profits made under the Renegotiation Act of 1942, such as are involved in the above case, were made by the Department of the Navy, Department of the Army and other departments named in that Renegotiation Act. Consequently, recommendations on offers in compromise arising under the Renegotiation Act of 1942 will not be made by the Renegotiation Board.

In view of the above we request that the Civil Division be provided with blanket authority to loan FBI accounting reports pertaining to renegotiation cases arising under the Renegotiation Act of 1942 to the Department of the Army, Department of the Navy, the General Services Administration, the Department of Commerce (successor to the Maritime Administration) and the Reconstruction Finance Corporation for their use in evaluating offers in compromise and preparing their recommendations.

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FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON FIELD

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
WASHINGTON, D. C.	3/7/55	3/1/55	EDWARD J. ARMBRUSTER (A) DLS

TITLE	CHARACTER OF CASE
THE AUSTIN COMPANY v. SECRETARY OF THE NAVY, Tax Court Docket Number 104-E	RENEGOTIATION ACT

SYNOPSIS OF FACTS:

Docket of U. S. Tax Court reflects that on 2/16/55, the Court entered an order that excessive profits for the years 1941 and 1942 amounted to $300,000. and $1,200,000 respectively. Previously, the WCPAB had determined that the excessive profits for the years in question amounted to $400,000 and $2,000,000 respectively.

- C -

DETAILS: AT WASHINGTON, D. C.:

A check of the Docket in the Office of the Clerk, United States Tax Court reflects that on February 16, 1955, the Court entered an order, based upon a stipulation, that the excessive profits on renegotiable business for the years 1941 and 1942 amounted to $300,000 and $1,200,000 respectively.

Previously, the War Contracts Price Adjustment Board had determined that the excessive profits for the years in question on renegotiable business amounted to $400,000 and $2,000,000 respectively.

STATISTICS TAKEN MAR 07 1955 STATISTICS

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NFC 46-1929

ADMINISTRATIVE PAGE

One copy of this report is being designated for the Cleveland Division to complete its file on this investigation which was conducted by that office.

REFERENCE: Report of SA (A) JOHN K. BUSTER dated 7/27/53, at Cleveland, Ohio.

cc: [redacted] b6 b7C

SAC, Washington Field April 8, 1948

Director, FBI

A. P. DONELL, JR., v. JAMES V. FORRESTAL, SECRETARY, UNITED STATES NAVY DEPARTMENT, TAX COURT NO. 626-R; A. P. DONELL, JR., v. JAMES V. FORRESTAL, SECRETARY, USN, 696-R. Renegotiation Act.

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Enclosures

cc: Detroit (attachment)

ERS:DRF

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U.S. DEPARTMENT OF JUSTICE

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ADDRESS REPLY TO
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AND REFER TO
INITIALS AND NUMBER

DEPARTMENT OF JUSTICE

WASHINGTON, D.C.

HCH:HFL:rrr

Tax Ct. Nos. 626-R; 696-R

April 5, 1946

MEMORANDUM FOR MR. J. EDGAR HOOVER
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION.

Re: A. P. Dowell, Jr., v. James F. Forrestal, Secretary, United States Navy Department, Tax Court No. 626-R; A. P. Dowell, Jr., v. James F. Forrestal, Secretary, USN, 696-R

Mr. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Penington
Mr. Quinn Tamm
Mr. Nease

[redacted]

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SEP 22 1948

46-15243-1

31 APR 19 1946

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT Washington, D. C. FILE NO. 46-2008

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
WASHINGTON, D. C.	4-20-48	4-13 to 17-48	KUNARD J. ARMBRUSTER (A) EJA:CHS

TITLE: A. P. DOWELL, JR. v. JAMES V. FORRESTAL, SECRETARY, UNITED STATES NAVY DEPARTMENT; TAX COURT NO. 626-A;
A. P. DOWELL, JR. v. JAMES V. FORRESTAL, SECRETARY, UNITED STATES NAVY DEPARTMENT, TAX COURT No. 696-R

CHARACTER OF CASE: RENEGOTIATION ACT

SYNOPSIS OF FACTS:

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46-15045

REFERENCE:

DETAILS: AT WASHINGTON, D. C.

FBI

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2 - Detroit (Info.)
2 - Washington Field Office

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APR 27 1948

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Office Memorandum • UNITED STATES GOVERNMENT

TO: Director, FBI

DATE: September 22, 1948

FROM: SAC, Detroit

SUBJECT: A. P. DONELL, JR., vs. JAMES V. FORRESTAL, SECRETARY, UNITED STATES NAVY DEPARTMENT, TAX COURT NO. 626-R; A. P. DONELL, JR., vs. JAMES V. FORRESTAL, SECRETARY, UNITED STATES NAVY DEPARTMENT, TAX COURT NO. 686-R
RENEGOTIATION ACT

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46-15495-4

FBI
23 SEP 24 1948

December 21, 1949

War Contracts Price Adjustment Board
Room 3641, Main Navy Building
17th & Constitution Avenue, N. W.
Washington 25, D. C.

Attn: [redacted]

Re: [redacted] Jr., W. Forrestal,
Secretary of Navy, Tax Court
Docket No. 696-R

Dear Sirs:

[redacted]

Sincerely yours,

For the Attorney General

H. G. Morisch
Assistant Attorney General

cc: Bureau of Internal Revenue
Washington 25, D. C.
Attn: [redacted]

Federal Bureau of Investigation
[redacted]

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HGM:EWLarue

Tax Ct. No. 626-2 December 21, 1949

Department of the Navy
Washington 25, D. C.

Attn: Mr. Harold D. Cross
General Counsel

Re: A. P. Duvall, Jr., v.
Forrestal, Secretary of the
Navy, Tax Court Docket No. 626-2

[redacted]

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Sincerely yours,

For the Attorney General

H. G. Morison
Assistant Attorney General

cc:
Bureau of Internal Revenue
Internal Revenue Building
Washington 25, D. C.

Federal Bureau of Investigation

[redacted]
Navy Renegotiation Section
Navy Department

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FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C.

FILE NO. 46-2008

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
WASHINGTON, D. C.	12-21-49	12-16-49	EDWARD J. ARMBRUSTER (A) MAH

TITLE: A. P. DOWELL, JR., v. JAMES V. FORRESTAL, SECRETARY, UNITED STATES NAVY DEPARTMENT, TAX COURT NO. 626-R;
A. P. DOWELL, JR. v. JAMES V. FORRESTAL, SECRETARY, UNITED STATES NAVY DEPARTMENT, TAX COURT NO. 696-R

CHARACTER OF CASE: RENEGOTIATION ACT

SYNOPSIS OF FACTS:

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REFERENCE:

DETAILS: AT WASHINGTON, D. C.

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SAC, Washington Field

November 16, 1948

EX-66

Director, FBI

M. J. Corboy Company v. James V. Forrestal, Secretary of the Navy, Tax Court Docket No. 602-R; and M. J. Corboy Company v. War Contracts Price Adjustment Board, Tax Court Docket No. 627-R Renegotiation Act

Attached hereto are two copies of self-explanatory memorandum from H. G. Morison, Assistant Attorney General, dated November 5, 1948, together with the enclosures indicated therein. A copy of this memorandum is being furnished the Chicago Field office since [redacted] Chicago Field office until subsequent to the submission of a report by the Washington Field office and [redacted]

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It is suggested that the bulky exhibits attached hereto are returned to the Bureau after they have served their purpose.

cc - Chicago (with enclosure)

Enclosures

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46-15707-1

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63 DEC 7 1948

ADDRESS REPLY TO
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HCH:RGC
Tax Court Nos. 602-R
and 627-R

UNITED STATES
DEPARTMENT OF JUS
WASHINGTON 25, D. C.

FOR VICTORY
BUY
UNITED STATES
WAR
BONDS
AND
STAMPS

November 5, 1948

MEMORANDUM FOR MR. J. EDGAR HOOVER
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION.

Re: M. J. Corboy Company v. James V. Forrestal, Secretary of the Navy, Tax Court Docket No. 602-R; and M. J. Corboy Company v. War Contracts Price Adjustment Board, Tax Court Docket No. 627-R

In the above-entitled case, the petitioner [redacted]

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The petitioner [redacted]

The following information and material is herewith forwarded:

[redacted]

SE 36
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N 146 - 15707 - 1
EA-66
37 NOV 16 1948

1 ENC.

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C. FILE NO. 46-2111

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
WASHINGTON, D. C.	2-24-49	1/25-27; 2/1-7, 17/49	JAMES E. NUGENT (A) vdm

TITLE: M. J. CORBOY COMPANY, vs. JAMES V. FORRESTAL, SECRETARY OF THE NAVY; TAX COURT DOCKET NO. 602-R; and M. J. CORBOY COMPANY v. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627-R

CHARACTER OF CASE: RENEGOTIATION ACT

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SYNOPSIS OF FACTS:

[redacted]

- P[illegible] -

REFERENCE: Bureau letter dated November 16, 1948.

46-15707-NR 2

APPROVED AND FORWARDED: SPECIAL AGENT IN CHARGE

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46-15707-22

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COPIES OF THIS REPORT

2 - Bureau (encl.)
2 - Chicago.
2 - Washington Field

23 MAR 8 1949

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58 MAR 17 1949

SAC, Chicago

January 16, 1950

Director, FBI

REGISTERED MAIL

RECORDED - 33

M. J. CORBOY COMPANY v. JAMES V. FORRESTAL, SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 602-R; and
M. J. CORBOY COMPANY v. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627-R
RENEGOTIATION ACT

Reylet November 16, 1948, and report of Special Agent (A) James E. Regent, Washington, D. C., dated February 24, 1949.

Attached hereto are two copies of a self-explanatory memorandum from E. G. Morison, Assistant Attorney General, dated January 11, 1950, together with the enclosures referred to therein. A copy of this same memorandum is being furnished the Washington Field Office, office of origin.

[redacted]

You are instructed to advise the Bureau by return mail the exact date [redacted] You are also instructed to return to the Bureau by registered mail the attached enclosures after they have served their purpose.

Enclosure
62-15707
cc - Washington Field, with enclosure

AJK:ige

62-80646-15707-3

MAILED 4
JAN 16 1950
COMM - FBI

52 FEB 3 1950

ADDRESS REPLY TO
"THE ATTORNEY GENERAL"
AND REFER TO
INITIALS AND NUMBER

DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

EEL:RSC
Tax Court Nos.
602-R and 627-R

January 11, 1950

MEMORANDUM FOR MR. J. EDGAR HOOVER
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

Re: M. J. Corboy Company v. James V. Forrestal, Secretary of the Navy, Tax Court Docket No. 602-R; and
M. J. Corboy Company v. War Contracts Price Adjustment Board, Tax Court Docket No. 627-R.

With reference to my memoranda to you dated November 5, 1948, relating to the above-entitled cases, we are in receipt of report dated February 24, 1949, of James E. Nugent (A), Washington field office. This report analyzes data heretofore submitted [redacted] b6 b7C

It is now requested that you [redacted]

1. [redacted] contained in the Nugent report, with due consideration for the suggestions contained therein.

2. [redacted] b6 b7C

Agent's comments are desired with respect to [redacted]

3. Any other facts which may develop during the examination which you [redacted]

4. [redacted] b6 b7C

1-16-50 AKV

ENCL.
Attachments

Assistant Attorney General

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI

DATE: February 2, 1950

FROM : SAC, Chicago

SUBJECT: M. J. CORBOY COMPANY v. JAMES V. FORRESTAL, SECRETARY OF THE NAVY, TAX COURT DOCKET No. 602-R; and M. J. CORBOY COMPANY v. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627-R RENEGOTIATION ACT (Bufile 46-15707)

Reurlet dated January 16, 1950.

Mr. Tolson
Mr. Ladd
Mr. Clegg
Mr. Glavin
Mr. Nichols
Mr. Rogers
Mr. Tracy
Mr. Harbo
Mr. Mohr
Tele. Room
Miss Gandy

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[redacted]

ONT:nrc
46-1049

46-15707-4

RECORDED - 6

46-15707-4
FEB 6 1950

EX-101

37

FEB 8 1950

FEDERAL BUREAU OF INVESTIGATION

FORM NO. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C. FILE NO. 46-1049

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
CHICAGO, ILLINOIS	2/20/50	2/5,6,7,8, 10/50	ORVILLE N. THOMAS (A) BJB

TITLE: M. J. CORBOY COMPANY vs. JAMES V. FORRESTAL, SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 602-R; and M. J. CORBOY COMPANY v. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627-R

CHARACTER OF CASE: RENEGOTIATION ACT

SYNOPSIS OF FACTS:

TEN DAY REPORT

This report is predicated on a request from H. G. MORRISON, Assistant Attorney General, dated January 11, 1950, that the petitioner's books and records be examined for the fiscal years ending December 31, 1942, and December 31, 1943.

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[redacted]

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[redacted]

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249 MAY 11 1970

46-15707-5

APPROVED AND FORWARDED: [redacted] SPECIAL AGENT IN CHARGE

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FEB 23 1950

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5

cc: Mr. Tolson
cc: Mr. Ladd
cc: Mr. Clegg
cc: Mr. Glavin
cc: Mr. Nease
cc: Mr. Winterrowd
cc: Mr. Tracy
cc: Mr. Carlson
cc: Mr. Harbo
cc: Mr. Mohr
cc: Mr. Bishop
cc: Miss Gandy

SAC, Chicago

February 28, 1950

Director, FBI

M. J. CORBOY COMPANY v. JAMES V. FORRESTAL, SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 602-R; and M. J. CORBOY COMPANY v. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627-R RENEGOTIATION ACT

Reference report of Special Agent (A) Orville N. Thomas, Chicago, Illinois, dated February 20, 1950.

Your attention is particularly called to my letter of January 16, 1950, wherein instructions were furnished to the effect that only four copies of all reports submitted should be furnished to the Bureau since only two years were under review. It is noted that five copies of referenced ten day report were furnished.

The Claims Division attorney to whom this case is assigned has requested that this matter be completed at the earliest possible date. Therefore, it is recommended that the investigation be pursued continuously and, if any questions arise, they should be expeditiously submitted to the Bureau for a decision.

46-15707 - 5
cc - Washington Field

EJM:ige

46-15707-6

MAILED 17
FEB 28 1950
COMM - FBI

RECORDED - 140
INDEXED - 140
21 MAR 8 1950

SAC, Chicago

April 3, 1950

Director, FBI

M. J. CORBOY COMPANY v. JAMES V. FORRESTAL, Secretary of the Navy, TAX COURT DOCKET NO. 602-R; M. J. CORBOY COMPANY v. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627-R RENEGOTIATION ACT

Remylet February 28, 1950.

As you will note in relet, the Claims Division Attorney to whom this case is assigned has requested that this matter be completed at the earliest possible date. It is noted in the progress report of Special Agent (A) Orville N. Thomas, Chicago, dated March 15, 1950, that an estimate of 60 Agent days was indicated as the time necessary to complete the remaining investigation. It is recommended that assistance be afforded Special Agent Thomas in order that this investigation may be completed at an earlier date and a final accounting report submitted in accordance with the request of the Claims Division.

You are instructed to advise the Bureau what arrangements have been made to expedite this matter.

cc: Washington Field

RECORDED - 3846-15707-6

ALM:mcp

X-80

Tolson
Ladd
Clegg
Glavin
Nichols
Rosen
Tracy
Harbo
Mohr
Tele. Room
Nease
Gandy

46-15707-6

APR 3 1950

COMM - FBI

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52 APR 10 1950

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT Washington, D. C. Cgo FILE NO. 46-1049

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
Chicago, Illinois	3/15/50	2/15, 15, 16, 17, 20, 21, 23, 27, 28/50; 3/1, 2, 5, 6, 7, 8, 9/50	ORVILLE N. THOMAS (A) RLB

TITLE

W. J. CORBOY COMPANY vs. JAMES V. FORRESTAL, SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 602-R; and W. J. CORBOY COMPANY vs. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627-R

CHARACTER OF CASE

RENEGOTIATION ACT

SYNOPSIS OF FACTS:

PROGRESS REPORT

DETAILS: AT CHICAGO, ILLINOIS

The following work has been completed to date.

Work to be completed.

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348 MAY 11 1970

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2 - Chicago

MAR 17 1950
3

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FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON, D. C.

FILE NO. 46-1049

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
CHICAGO, ILLINOIS	4/7/50	2/3,6-8,10,13,15-17,20,21,23,27,28;3/1-3,6-10,13-17,20-24,27-30/50	ORVILLE N. THOMAS (A) :LL

TITLE	CHARACTER OF CASE
E. J. CORBOY COMPANY VS. JAMES V. FORRESTAL, SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 602R; AND E. J. CORBOY COMPANY VS. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627R	RENEGOTIATION ACT

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Synopsis Of Facts: ACCOUNTING REPORT

46-RUC-157 07-7

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APR 10 1950

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2 Chicago
5 MAY 1 1950

12

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI

DATE: April 7, 1950

FROM : SAC, CHICAGO

SUBJECT: M. J. CORBOY COMPANY VS. JAMES V. FORRESTAL, SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 602R; AND M. J. CORBOY COMPANY VS. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627R
RENEGOTIATION ACT

G.I.R.-4

Rerep of Special Agent (A) ORVILLE N. THOMAS, dated April 7, 1950, at Chicago.

Enclosed herewith are the documents referred to in above report as enclosures.

ONT:LL
46-1049
(REGISTERED MAIL)

ENCL.

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46-1507-8

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57 APR 19 1950

46-1507-8

ADDRESS REPLY TO
"THE ATTORNEY GENERAL"
AND REFER TO
INITIALS AND NUMBER

DEPARTMENT OF JUST

WASHINGTON, D. C.

EAC:RGC
Tax Court Nos.
602-R and 627-R

June 29, 1950

Mr. Tolson
Mr. Ladd
Mr. Clegg
Mr. Glavin
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Harbo
Mr. Belmont
Mr. Mohr
Tele. Room
Mr. Neare
Miss Gandy

MEMORANDUM FOR MR. J. EDGAR HOOVER
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

Re: M. J. CORBOY COMPANY, v. James V. Forrestal, Secretary of the Navy, Tax Court Docket 602-R; M. J. CORBOY COMPANY v. War Contracts Price Adjustment Board, Tax Court Docket No. 627-R.

[redacted]

Acting Assistant Attorney General

COPIES DESTROYED
349 MAY 11 1970

RECORDED - 5

46-15707-9

JUL 6 1950

19

53 JUL 21 1950

46-15707-9

STANDARD FORM NO. 64

Office Memorandum • UNITED GOVERNMENT

TO : Director, FBI

DATE: August 11, 1950

FROM : SAC, Chicago

SUBJECT: M. J. CORBOY COMPANY v. JAMES V. FORRESTAL, Secretary of the Navy, TAX COURT DOCKET No. 602-R; M. J. CORBOY COMPANY v. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627-R
RENEGOTIATION ACT
Bufile 46-15707

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X4-1

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[redacted]

ONT:nrc
46-1049
cc: Washington Field

RECORDED - 67
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AUG 14 1950
EX-40

52 AUG 16 1950

46-15707-10

FEDERAL BUREAU OF INVEST
UNITED STATES DEPARTMENT OF

0-9a

To: COMMUNICATIONS SECTION.

FEBRUARY 26, 1954 AIRTEL

Transmit the following message to:

SAC, CHICAGO (46-1047) AIR MAIL

M. J. CORBOY COMPANY VS. JAMES V. FORRESTAL, SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 602R; AND M. J. CORBOY COMPANY VS. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627R, RENEGOTIATION ACT.

[redacted]

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HOOVER

46-15707

CJM:lge

RECORDED - 94

46-15707-11

MAR 2 1954

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Ladd
Nichols
Belmont
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Glavin
Harbo
Rosen
Tracy
Laughlin
Mohr
Tamm
Trotter
Tele. Rm.
Holloman
Gandy

COMM — FBI
FEB 26 1954
MAILED 27

46-15707-11

b6
b7C

53 MAR 4 1954

SENT VIA AIRTEL M Per

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI (46-15707)

DATE: March 2, 1954

FROM : SAC, CHICAGO (46-1049)

SUBJECT: M. J. CORBOY COMPANY v. JAMES V. FORRESTAL, Secretary of the Navy, TAX COURT DOCKET No. 602-R; M.J. CORBOY COMPANY v. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET No. 627-R RENEGOTIATION ACT

Reurairtel dated February 26, 1954.

Enclosed are the work papers, tax returns, and agent's accounting papers in this case per your request.

ONT:OH

Encl. (1)

CC: PACKAGE (Registered Mail)

RECORDED-8 46-15707-12

19 MAR 5 1954

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46-15707-12

52 MAR 9 1954

SAC, Chicago (46-1047)

46-15707-13

Director, FBI (46-15707)

March 8, 1954

RECORDED-14

b6
b7C

[redacted]

EX-101 RENEGOTIATION ACT

There are being enclosed herewith two copies of a memorandum dated March 3, 1954, from Assistant Attorney General Warren E. Burger, requesting that SA Orville N. Thomas be available for the conferences and trial of this matter beginning Monday, April 19, 1954, at Chicago, Illinois.

For the information of the Chicago Office, the attorney handling this matter in the Civil Division of the Department is [redacted]

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Chicago should inform the Bureau by return mail as to the availability of SA Thomas for the conferences and trial.

Enclosure

cc: 2-Washington Field

CJM:ige

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b7C

MAILED 8
MAR 8 - 1954
COMM-FBI

46-15707-13

50 MAR 19 1954

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI (46-15707)

DATE: March 15, 1954

FROM : SAC, CHICAGO (46-1049)

SUBJECT: M. J. CORBOY COMPANY
TAX COURT DOCKET NOS. 602-R and 627-R
RENEGOTIATION ACT

Rebulet March 8, 1954.

You are advised SA ORVILLE N. THOMAS will be available in Chicago as requested beginning April 19, 1954.

OMH:DSH

[redacted]

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3-18-54

46-15707-14

RECORDED - 15 46-15707-14

EX. - 104

68 MAR 18 1954

SAC, Chicago (46-1047)

March 24, 1954

Director, FBI (46-15707)

RECORDED - 65

M. J. CORBOY COMPANY versus SECRETARY OF THE NAVY
TAX COURT DOCKET NUMBER 602-R.
M. J. CORBOY COMPANY versus WCPAB
TAX COURT DOCKET NUMBER 627-R.
RENEGOTIATION ACT

There is being enclosed herewith for each office one copy of a self-explanatory memorandum dated March 19, 1954, from Assistant Attorney General Warren E. Burger.

The Chicago Office should give this matter immediate and continuous attention and submit report to reach the Bureau no later than April 12, 1954, by routing slip for the attention of the Investigative Division, Accounting and Fraud Section.

89MM — FBI
MAR 24 1954
MAILED 27

b6
b7C

Attachment

cc: 2 Washington Field Office (Attachment)

46-15707-1

52 APR 2 1954

FEDERAL BUREAU OF INVESTIGATION

UNITED STATES DEPARTMENT OF JUSTICE

FD-36
Mr. Tolson
Mr. Boardman
Mr. Nichols
Mr. Belmont
Mr. Glavin
Mr. Harbo
Mr. Rosen
Mr. Tamm
Mr. Tracy
Mr. Mohr
Mr. Winterrowd
Tele. Room
Mr. Holloman
Miss Gandy

AIRTEL

Transmit the following teletype message to:

FBI, CHICAGO (46-1049) APRIL 1, 1954

DIRECTOR, FBI (46-15707) (AMSD)

M. J. CORBOY COMPANY, ET AL, RENEGOTIATION ACT. REBULET MARCH 24, 1954, AND DEPARTMENTAL MEMORANDUM DATED MARCH 19, 1954. [redacted] ADVISED THE WRITER ON APRIL 1, 1954, THAT HE WAS DIRECTING A LETTER TO THE DEPARTMENT ON THIS DATE TO GET THEIR CONSENT TO GET THIS CASE TAKEN OFF THE APRIL TAX COURT CALENDAR INASMUCH AS [redacted] PRESIDENT OF PETITIONING COMPANY, IS LEAVING NEXT WEEK ON A EUROPEAN TRIP. [redacted], PRESIDENT, WAS CONTACTED BY THE WRITER AT 405 NORTH DESPLAINES AVENUE, CHICAGO, REGARDING MAKING BID AND CONTRACT DATA FOR YEARS 1942-1943 AVAILABLE FOR EXAMINATION AT WHICH TIME [redacted] ADVISED THAT HE WOULD CAUSE A SEARCH OF RECORDS TO BE MADE TO DETERMINE IF THESE DOCUMENTS WERE STILL AVAILABLE BUT ADVISED THAT IF THEY WERE NOT DESTROYED HE WOULD PROBABLY HAVE THEM REMOVED FROM STORAGE SOMETIME DURING THE WEEK OF APRIL 5, 1954. MR. [redacted] ARTHUR YOUNG AND COMPANY, CERTIFIED PUBLIC ACCOUNTANTS, ADVISED THAT HE WOULD CAUSE A SEARCH OF THEIR FILES TO DETERMINE IF COMPLETED CONTRACT INFORMATION FOR YEAR ENDING DECEMBER 31, 1943, WAS INCORPORATED IN THEIR WORKING PAPERS OF M. J. CORBOY COMPANY AUDITS.

46-15707-1677

RECORDED - 5

RCD:DSH

Approved: [signature] Special Agent in Charge

58 APR 8 1954

EX-129

Sent [illegible] M Per

APR 12 1954

Mr. Rosen

Assistant Attorney General
Warren E. Burger

April 20, 1954

Director, FBI

RECORDED-59 46-15707-19

M. J. CORBOY COMPANY vs. SECRETARY OF THE NAVY
Tax Court Docket Number 602-R
EX-118 M. J. CORBOY COMPANY vs. WCPAB
Tax Court Docket Number 627-R
RENEGOTIATION ACT

Reference is made to your memorandum dated March 19, 1954, in the above-captioned matter.

In connection with the investigation now being conducted, our Chicago Office has requested that the Civil Division furnish the Federal income tax returns of the petitioner for the years 1936 through 1943, inclusive.

It is believed that the above tax returns are now in the possession of the Civil Division and it will be appreciated if they are forwarded to the Bureau for transmittal to our Chicago Office.

Bufile 46-15707
CJM:mk (4)

RECEIVED
APR 20 1954
COMM-FBI

46-15707-19

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APR 27 1954

SAC, Chicago (46-1049) April 30, 1954

Director, FBI (46-15707)

M. J. CORBOY CO. v. SECRETARY OF NAVY
TAX COURT DOCKET NO. 602-R
M. J. CORBOY CO. v. WCPAB
TAX COURT DOCKET NO. 627-R
RENEGOTIATION ACT

RECORDED-14 46-15707-21
Reurlet 4/12/54.

There are being enclosed herewith two copies of a self-explanatory memorandum dated April 26, 1954, from Assistant Attorney General Warren E. Burger, together with the enclosures referred to therein.

Enclosure

CJM:LCE

46-15707-21

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APR 30 1954
COMM-FBI

EX-93

27 MAY 10 1954

15707-24

July 14, 1954

[illegible]-117 SAC, Chicago (46-1049)

EX-129 Director, FBI (46-15707)

M. J. CORBOY COMPANY,
V. SECRETARY OF THE NAVY, TAX COURT
DOCKET NO. 602-R; M. J. CORBOY COMPANY V.
WAR CONTRACTS PRICE ADJUSTMENT BOARD,
TAX COURT DOCKET NO. 627-R
RENEGOTIATION ACT

Rerep SA [redacted] 7/2/54, at Chicago.

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There are being enclosed herewith two copies of a self-explanatory memorandum dated July 9, 1954, from Acting Assistant Attorney General [redacted] together with the enclosures referred to therein.

A copy of [redacted] memorandum is being enclosed for the Washington Field Office.

Attachment

cc: 2-Washington Field Office (46-2141) (Attachment)

CJN:dem

46-15707-24

COMM-FBI
JUL 14 1954
MAILED 27

30 JUL 23 1954

SAC, Chicago (46-1049)

July 28, 1954

Director, FBI (46-15707)

M. J. CORBOY COMPANY,
v. SECRETARY OF THE NAVY, TAX COURT
DOCKET NO. 602-R; M. J. CORBOY COMPANY
v. WAR CONTRACTS PRICE ADJUSTMENT BOARD,
TAX COURT DOCKET NO. 627-R
RENEGOTIATION ACT

Re Bureau letter dated July 14, 1954.

Attorney [redacted] Civil Division, b6 b7C has advised that this case has been set on the Tax Court Docket, Chicago, Illinois, for October 4, 1954.

The Chicago Office is requested to advise as to the date when a report may be expected.

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46-15707-25

46-15707-25

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EX-129

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JUL 28 1954
COMM-FBI

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Tele. Room
Holloman
Miss Gandy

68 AUG 5 1954

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON FIELD

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
CHICAGO	8/4/54	3/30,31;4/1,2,5-9,12,16;5/11 6/18,30;7/1,2,6,9,22,23,26,28/54	[redacted] (A)RCD:mcv

TITLE M. J. CORBOY COMPANY v. SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 602-R;
M. J. CORBOY COMPANY v. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627-R

CHARACTER OF CASE: RENEGOTIATION ACT

SYNOPSIS OF FACTS:

No pertinent changes in [redacted]

Sample copies o[redacted]

[redacted]

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DETAILS: RUC

The following agents participated in this investigation: [redacted] and the writer.

b6
b7C

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349 MAY 11 1970

46-15707-28

APPROVED AND FORWARDED: [redacted] SPECIAL AGENT IN CHARGE

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46-15707-126 RECORDED-46

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2 - Chicago (46-1049)

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58 AUG 17 1954

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U. S. GOVERNMENT PRINTING OFFICE: 16—62385-1

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI (46-15707)

DATE: August 4, 1954

FROM : SAC, CHICAGO (46-1049)

SUBJECT: M. J. CORBOY COMPANY v.
SECRETARY OF THE NAVY,
TAX COURT DOCKET NO. 602-R;
M. J. CORBOY COMPANY v.
WAR CONTRACTS PRICE ADJUSTMENT BOARD,
TAX COURT DOCKET NO. 627-R
RENEGOTIATION ACT

b6
b7C

Re report of SAA [redacted] dated August 4, 1954, at Chicago.

Enclosed herewith are the documents referred to in above report as enclosures.

Enc
REGISTERED
RCD:mcv

46-15707-28

RECORDED - 83

[redacted]

b6
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7 AUG 17 1954

FEDERAL BUREAU OF INVESTIGATION

FORM NO. 1
THIS CASE ORIGINATED AT Washington Field

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
CHICAGO	10/12/54	9/22,23,28-30; 10/1,4,6/54	mks (A)

b6
b7C

TITLE

M. J. CORBOY COMPANY VS. SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 602R; M. J. CORBOY COMPANY VS. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627R

CHARACTER OF CASE

RENEGOTIATION ACT

SYNOPSIS OF FACTS:

DETAILS:

On September 30, 1954, a [redacted]

b6
b7C

[redacted]

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SPECIAL AGENT IN CHARGE

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EX-128

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STAT

FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT WASHINGTON FIELD

REPORT MADE AT	DATE WHEN MADE	PERIOD FOR WHICH MADE	REPORT MADE BY
WASHINGTON, D. C.	11/17/54	11/15/54	EDWARD J. ARMBRUSTER bms

TITLE	CHARACTER OF CASE
M. J. CORBOY COMPANY VS. SECRETARY OF THE NAVY, TAX COURT DOCKET NO. 602R; M. J. CORBOY COMPANY VS. WAR CONTRACTS PRICE ADJUSTMENT BOARD, TAX COURT DOCKET NO. 627R	RENEGOTIATION ACT

b6
b7C

SYNOPSIS OF FACTS:

[redacted]

DETAILS: AT WASHINGTON, D. C.

[redacted]

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46 MAY 11 1970

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FEDERAL BUREAU OF INVESTIGATION
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FOI/PA# 1432257-0

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Page 37 ~ Referral/Direct;
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DO-11

JD:mh

FEDERAL BUREAU OF INVESTIGATION

Deleted Copy Sent [redacted] b6 b7C
by Letter dated
Per FOIPA Request

DATE December 9, 1943

MEMORANDUM FOR THE DIRECTOR

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Acers
Mr. Carson
Mr. Harbo
Mr. Hendon
Mr. Mumford
Mr. Starke
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Beahm

On December 7, 1943, while you were out of the city of Washington, I met Under Secretary James V. Forrestal of the Navy at his office, and he expressed great interest in the Bureau's work in [redacted] America. b6 b7C

The two countries in which Mr. Forrestal was greatly interested in were Mexico and Argentina. He expressed grave doubts as to the sincerity of Mexico's expressions of cooperation with the United States and based his conclusions on the fact that the Mexicans had refused to permit American capital to take over various businesses formerly belonging to German nationals in Mexico. Mr. Forrestal stated his banking friends had told him these various corporations are now being held by Mexican "dummies" who at the conclusion of the war would return the properties to the Germans.

With respect to Argentina, Mr. Forrestal inquired as to whether the government of Argentina was as hostile to the United States as the American press stated, and if so, what did the Argentine government expect to gain by such an attitude? To these questions, the writer answered that the American Ambassador, Norman Armour, had told me that he was completely disgusted with the present Argentine government which would do anything if it could publicly embarrass the United States of America. I added it was common gossip in Argentina that the present government hoped to remain neutral until the end of the war as it believed after the war the United States of America would completely forget the Argentine's failure to break relations with the Axis; whereas, if it would break relations with the Axis, Germany and Japan would never forget it. Mr. Forrestal inquired as to whether the Argentine thought the Axis was going to win the war. I advised him that there were no indications that there was such a feeling in Argentina.

INDEXED 49 RECORDED 62-74407-1

In addition to these two countries, Mr. Forrestal inquired as to whether the Nelson Rockefeller organization was as inefficient as it was painted by Senator Butler, to which question I made no answer other than to say I was in no position to pass judgment on the Rockefeller Committee.

Mr. Forrestal inquired as to the popularity in Latin America of Vice President Henry Wallace. I told him that in the course of my trip there were no indications as to whether Wallace was popular or unpopular. Mr. Forrestal

DEC 23 1943

(INFORMATIVE MEMORANDUM - NOT TO BE SENT TO FILES SECTION)

inquired as to whether I had heard Wallace's "performance" in Peru (meaning Wallace's attempt to sound out public opinion acting incognito, which greatly enraged officialdom in Peru). I answered Mr. Forrestal that I had heard of this incident while in Peru. Mr. Forrestal then stated that he had understood that Milo Perkins' organization had made a great mess of their job in Latin America; to which I stated there were several instances where members of the Board of Economic Warfare were attempting to act as "amateur detectives" and that in several instances I heard there were entirely too many members of that organization in South America.

Mr. Forrestal inquired as to the cooperation throughout Latin America between representatives of the United States Navy and the Bureau's representatives. I told him that generally speaking representatives of these two government agencies got along extremely well with each other. I cited the instance in Argentina where the Bureau's Legal Attache and the United States Naval Attache, acting in concert, were able to bring about the seizure of contraband platinum and the arrest of the smuggler off the coast of Gibraltar. Mr. Forrestal then inquired as to how the Navy was doing their job generally throughout Latin America; to which I again answered I had heard no adverse criticism.

Time and again during this talk with Mr. Forrestal he expressed admiration of the Bureau's ability to adjust itself in foreign fields and to bring about the results which it has. In addition, he stated he was glad the Bureau was more and more taking over the complete domestic intelligence field and that the Navy was withdrawing and cutting down on its personnel in ONI. He added that the writer should get quite a "kick out of this" inasmuch as the writer had recommended in the fall of 1940 to Mr. Forrestal and Secretary Knox that ONI's domestic intelligence field should never be developed any further than a small skeleton organization.

During the course of this conference Mr. Forrestal exhibited to the writer a letter dated October 14, 1943, addressed to Ferdinand Eberstadt, 39 Broadway, New York City (Mr. Eberstadt was formerly Chairman of the Army-Navy Munitions Board; then Vice Chairman of the War Productions Board, who in the spring of 1943 was forced to resign from the War Productions Board due to an administration fight with [redacted] and others in that organization). Mr. Forrestal stated that this letter had been forwarded to him by Mr. Eberstadt from New York City with the request that Mr. Forrestal advise him what action he should take with regard to the contents of the letter. Briefly, the writer of the letter was a [redacted] of Mr. Eberstadt who states that she has certain information concerning the reasons why Mr. Eberstadt was forced out of his high position in the government and that she will sell this information to Mr. Eberstadt. Also mentioned in the letter are [redacted] Judge Robert Patterson, Under Secretary of War; [redacted] Charles E. Wilson of the War Productions Board, and Mr. Forrestal. Mr. Forrestal requested that I present this letter to you to determine what action should be taken.

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b7C

b6
b7C

Memorandum for the Director

I mention this to you in this memorandum in the event you should run into Mr. Forrestal here in Washington. The letter itself will be forwarded to the Investigative Division with the request for an appropriate investigation inasmuch as there exists a possible violation either of the war fraud statutes or the bribery statutes of the United States Code.

In conclusion, Mr. Forrestal advised me that in the event any matters of a procurement or investigative nature should come up of interest to the Bureau where he, as Under Secretary of the Navy, could be of assistance, the Bureau should not hesitate to call upon him to help.

Respectfully,

Jerome Doyle

TO:

Mr. Hoover

Do you think the three of us should lunch, or shall I explore it first with Ed?

JVF

19 February 1944

62-74459-2

32 MAR 8 1943

MR. FORRESTAL.

GPO

3-3/4/44

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

Honorable James V. Forrestal
Under Secretary of the Navy
Navy Department
Washington, D. C.

Dear Jim:

As of possible interest to you, there is attached for your strictly confidential information a memorandum relating to the origin and history of this Bureau's Special Intelligence Service in Latin America.

The information in this memorandum is also indicative of the accomplishments of the Federal Bureau of Investigation in Western Hemisphere intelligence operations.

With best wishes and kind regards,

Sincerely yours,

Attachment

RECORDED

FEDERAL BUREAU OF INVESTIGATION
MAR 8 1944
U. S. DEPARTMENT OF JUSTICE

Tolson
E. A. Tamm
Clegg
Coffey
Glavin
Ladd
Nichols
Rosen
Tracy
Acers
Carson
Harbo
Hendon
Mumford
Starke
Quinn Tamm
Nease
Gandy

LLH:MGT

April 29, 1944

Honorable James V. Forrestal
The Under Secretary of the Navy
Washington, D. C.

Dear Mr. Forrestal:

I wanted to drop you this personal note to express the sorrow of myself and my associates on the passing of the Secretary.

We of the Federal Bureau of Investigation regarded him as a true friend and will miss him in the days ahead. More important than that, a nation has lost one of its truly great citizens, and I did want to extend to you and his associates in the Navy our heartfelt sympathy in this hour.

With expressions of my highest esteem and admiration,

Sincerely,

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by Letter Dated
Under FOIA Request

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b7C

62-74497-
1

141

LBF:CT:LWB

May 11, 1944

BY SPECIAL MESSENGER

Del[illegible] Sept [redacted] b6 b7C
by Letter Dated
Per FOIPA Request 1-25-77

Honorable James V. Forrestal
Navy Department
Washington, D. C.

Dear Jim:

It was a real thrill to see the headlines in last night's papers announcing your appointment as Secretary of the Navy.

I know that this is a real source of gratification to your many friends. The appointment is well deserved by your sterling and steadfast efforts during the past crucial years. I know you will take your new office with the same determination and enjoy the same success which has marked your career in the past.

If at any time I can ever be of assistance, please do not hesitate to call upon me either personally or officially.

With expressions of my highest esteem and admiration,

Sincerely,

J. EDGAR HOOVER

62-74409-6
IF IB I
29 MAY 26 1944

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Hendon
Mr. McGuire
Mr. Mumford
Mr. Harbo
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

COMMUNICATIONS SECTION
MAILED
MAY 11 1944
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

RECEIVED-DIRECTOR
FBI
DEPT. OF JUSTICE
MAY 11 10 34 AM '44

KRM:MIP

June 1, 1944 ~~PERSONAL AND CONFIDENTIAL~~

The Honorable
The Secretary of the Navy
Washington, D. C.

My dear Mr. Secretary:

As a matter of interest I am transmitting herewith a two volume work styled "Free Germany" which has been prepared by this Bureau.

Sincerely yours,

[redacted]

Attachment

RECORDED & INDEXED

RECORDED & INDEXED

62-74409

FEDERAL BUREAU OF INVESTIGATION
JUN 2 1944
U. S. DEPARTMENT OF JUSTICE

Tolson
E. A. Tamm
Clegg
Coffey
Glavin
Ladd
Nichols
Rosen
Tracy
Carson
Hendon
Mumford
Jones
Quinn Tamm
Lease
Gandy

VPKmale
8-9-44

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

The Honorable James V. Forrestal
The Secretary of the Navy
Washington, D. C.

Dear Jim:

Deleted Copy Sent [redacted] b6 b7C
by Letter Dated 1-26-77
Per FOIPA Request

As of possible interest to you, there is transmitted herewith a copy of a monograph prepared concerning Guatemala.

The information contained therein has been compiled from data based on reports received from confidential and reliable sources.

Sincerely,

Enclosure

RECORDED
EX-35

62-74409-7
FEDERAL BUREAU OF INVESTIGATION
AUG 11 1944
U. S. DEPARTMENT OF JUSTICE

AUG 9 7 29 PM '44

AUG 4 4:47 PM '44

AUG 5 7 26 PM '44

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Mohr
Mr. Carson
Mr. Henson
Mr. Mumford
Mr. Jones
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

KRM:MIP

July 14, 1945

PERSONAL AND [redacted]
BY SPECIAL MESSENGER

b6
b7C

Deleted Copy Sent [redacted]
by Letter Dated
Per FOIPA Request

Declassified 4-17
11-22-76
XSO

Honorable James V. Forrestal
Secretary of the Navy
Washington, D. C.

Dear Jim:

I thought you would be interested in being advised of recent political developments in the Island of Martinique, particularly in view of its proximity to the United States. Elections on that Island in June, 1945, disclosed a pronounced leftward trend. In Fort de France, the capital of Martinique, twenty-nine Communists were elected to a thirty-two-man city council.

In so far as the entire island is concerned, the Socialist Party carried eleven communes, the Radical-Socialists carried seven communes, while the Communist Party carried three communes.

The island is headed by a French-appointed governor but its administration and election laws are the same as those in France.

The population of Martinique is 250,000 of whom 9,000 are white.

Practically all of the land on the island is owned by fifteen French families and is devoted to sugar plantations, which are subsidized by the French Government. ("Daily Worker," June 30, 1945, page 8.)

Sincerely yours,

RECORDED

62-74409-16
FEDERAL BUREAU OF INVESTIGATION
JUL 25 1945
U. S. DEPARTMENT OF JUSTICE

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

3
JUL 16 1945 P.M.

Memo to Director
3/27/47

Jamie V.

Secretary Forrestal is waging a broad campaign for the democratic nomination to the Senate from New York State. He has made certain commitments in connection therewith despite the fact that Robert Wagner's term does not expire until 1951.

****

Deleted Copy Sent [redacted]
by Letter Dated 12-23-77
Per FOIPA Request mek

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ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED DATE 10-17-88 BY SP1 AUC/KSR 233934

INITIALS ON ORIGINAL

62-74497-11

RECORDED 78 APR 9 1947

FBI

62 APR 14 1947

Washington 25, D. C.

Dear Sir: James

We are revising Secretary Forrestal's address list and I shall appreciate it very much if you will fill in the attached card and mail it to me as soon as convenient.

[redacted]

b6
b7C

b6
b7C

Deleted Copy Sent [redacted]
by Letter Dated 1-25-77
Per FOIPA Request Nick

RECORDED 62-74409-11X
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15 APR 5 1947

REX-88

60 APR 12 1947

166

July 28, 1947

Honorable James V. Forrestal
3508 Prospect Avenue
Washington, D. C.

Dear Jim:

I wanted to extend you my heartiest congratulations on your designation as Secretary of Defense and the speedy confirmation which followed your appointment, which in my opinion is a real tribute for a job well done and a wonderful performance of public service.

If at any time I can be of assistance, either personally or officially, I do hope you will not hesitate to call upon me.

With best wishes and kind regards,

Sincerely,

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by Letter Dated 1-25-77
By Mail Request cmb

b6
b7C

cc: [ ] - Rewrite

LBN:hbm

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EX-42 23 JUL 7 1947

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : D. M. LADD

DATE: July 31, 1947

FROM : L. L. LAUGHLIN

SUBJECT: Article in July 28th issue of the Daily Worker entitled "Forrestal Helped Re-Arm Reich," by Art Shields.

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Holmes
Miss Gandy

Inasmuch as there is no information in the Bureau's files concerning the source of the material contained in the above article, I telephoned the New York Office at 10:35 A. M. today and, in the absence of ASAC Belmont, talked with [redacted] I asked [redacted] to check the files of the New York Office to determine whether they contained any information relative to the source of the material in this article. I also suggested that inquiry be made through various confidential sources available to the New York Office in an effort to develop some information regarding this matter. I told [redacted] that for his confidential information the Bureau had been contacted on this matter by the Special Assistant to Secretary of the Navy Forrestal.

b6
b7C

[redacted]

Deleted Copy Sent
by Letter Dated 1-25-77
Per FOIPA Request

LLL:LL

INDEXED

RECORDED

62-74409-13

50 AUG 23 1947

August 1, 1947

RECORDED

62-74609-78

PERSONAL AND [redacted]
BY SPECIAL MESSENGER

Captain L. W. Berry
Special Assistant to the Secretary
Office of the Secretary
Department of the Navy
Washington, D. C.

Dear Captain Berry:

Deleted Copy Sent [redacted]
by Letter Dated 1-26-77
Per FOIPA Request [redacted]

b6
b7C

With regard to your letter of July 30, 1947, we regret to advise that we have no information on the source of the material contained in Art Shield's article on page one of the July 28th issue of the "Daily Worker."

We have developed information, however, indicating that the "Daily Worker" for August 3rd, on page three, will carry another article on Secretary Forrestal. This article, it is our understanding, sets forth the sources from whom the information was obtained. For example, it allegedly quotes former Secretary of the Treasury Morgenthau, the Wall Street Directory, Senate Committee hearings, Moody's Encyclopedia, the Standard Wall Street Guide, the New York Times, and the American Government Weekly.

We shall be alert to the possibility of obtaining additional information concerning this matter and, in the event we are successful, we shall of course be pleased to advise you.

Sincerely yours,

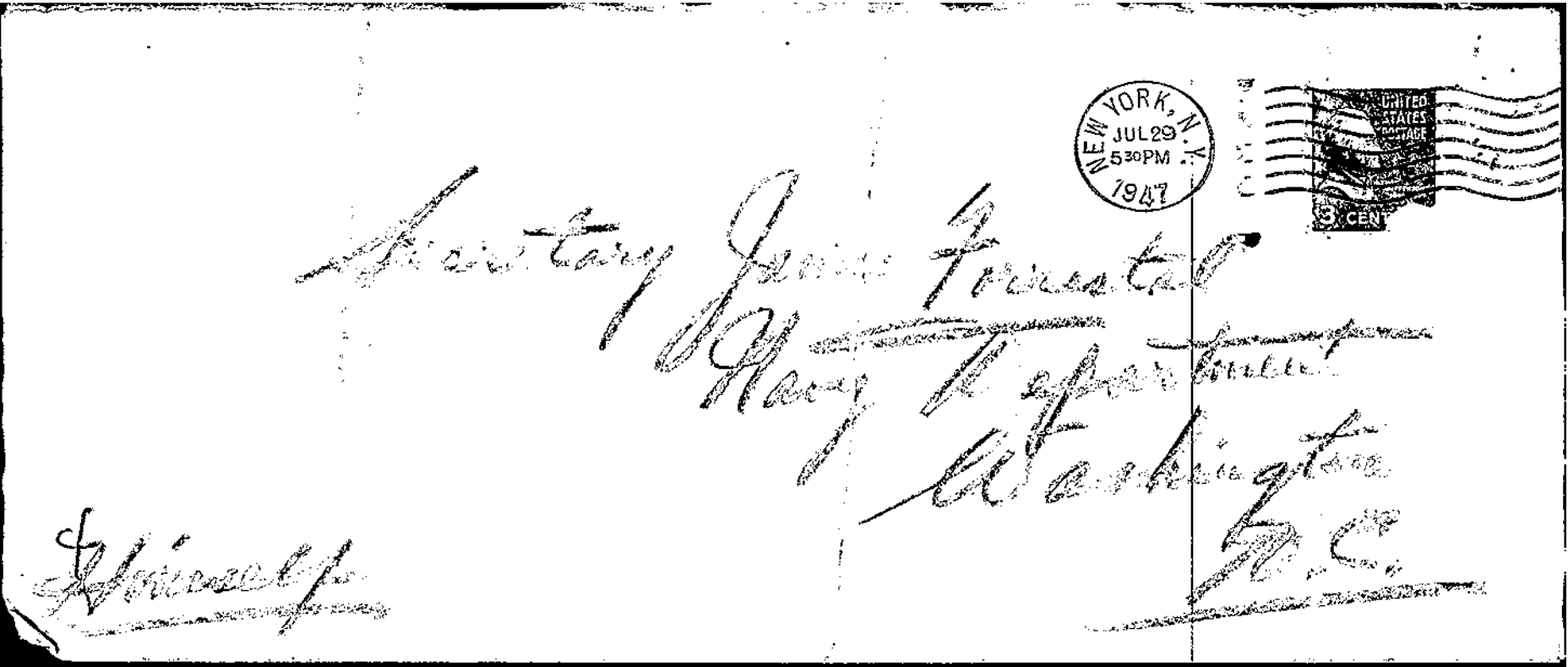
COMMUNICATIONS SECTION
MAILED
1947 P.M.
LLL:LL

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

"Mussolini & Fascism Religion Fascism"

"Pensieri Vaticani Di Un Decente Persone Di Stato"

"Check The Sentence Then Vote"



Congress Ends Jag, U. S. Nurses Hangover

See Page 3

WEATHER

Partly Cloudy, Scattered Showers

Daily Worker

★★ Edition

Vol. XXIV, No. 180 — New York, Monday, July 28, 1947 — (12 Pages) Price 5 Cents

STANDARD OIL AGENTS JOIN DUTCH IN INDONESIA WAR

See Page 2

15 Years Ago Today—Attack onBonus Marchers

On July 28, 1932, World War I veterans were driven from Washington with tear gas and bayonets. Th orders were given by Apple Herbie Hoover and executed by Coital police and troops under the command of Gen. Douglas MaArthur. (See Page 6).

Dodgers Belt Bucs Twice for 9 Straight

See Page 10

Forrestal Helped Re-Arm Reich

By Art Shields

James V. Forrestal, the new Secretary of National Defense, had a major part in the re-arming of Germany and the promotion of the German war trusts.

The Worker will give a detailed story of Forrestal's active connection with the German war makers in next Sunday's issue.

Forrestal maintained the closest connection with the Nazi death trusts in the early years of the second World War.

His appoiment is a threat to wor peace. Forrestal, the forr president of Dillon, Re & Co., the international banking house, has enormous, personal intest in the revival of the erman war trusts that ldid so much to establish.

This is thm a n whom President Tu m a n has placed in crge of the world's bigg imperialist Navy and the world's biggest imperialist Army, as well as atombomb stock piles, espionage services and troops for strikebreaking duty.

BODES ILL

Forrestal's appointment also bodes no good to Latin America. As a partner of Dillon, Read & Co. he helped float hundreds of millions of dollars in loans to buttress the most reactionary governments in the great continent to the South.

All the governments that Forrestal financed have since been overthrown. And many of the Latin American bonds he helped to float have been repudiated, with immense losses to the rank and file middle class investors in the United States, who bit at his bait.

But Forrestal will now be in a position to help the Latin American reactionaries again. As U.S. military chief he will be in a position to arm every reactionary government—every stooge of Wall Street against the people of every land to the South.

Brazil alone got more han $130,000,000 from ndicates headed by Forstal's company in the rly and mid-1920's.

(Continued on Back Page)

WORLD EVENTS

Standard Oil Agents Join Dutch In War Against Indonesia Republic

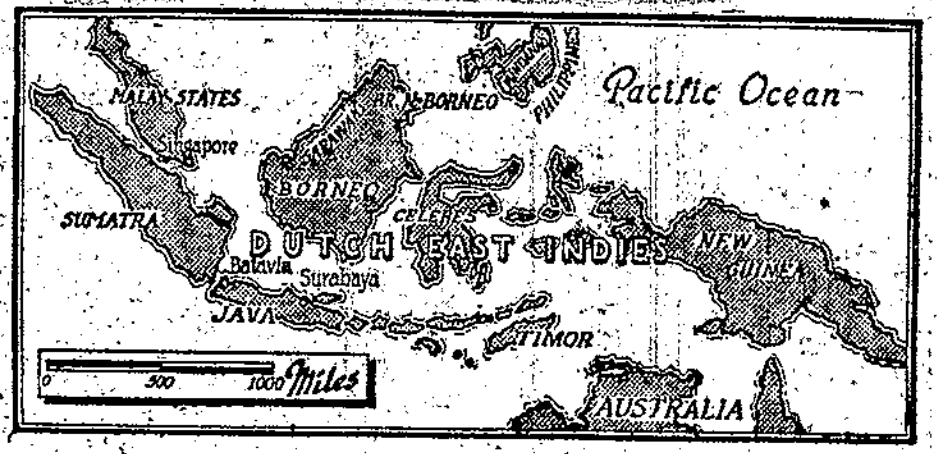
Standard Oil representatives yesterday joined the operations of the Dutch air and ground forces in the war against the Indonesian republic. American officials of Socony-Vacuum, Standard Oil subsidiary in foreign lands, traveling with the Dutch army, reached the Socony oil fields in southern Sumatra yesterday, and are battling against Indonesians who are scorching the earth in an effort to stem the advancing Dutch columns.

The Socony-Vacuum fields at Pendopo, 60 airline miles southeast of Palembang, were captured two days ago by two Dutch columns. Two other colums as captured the British owned Royal Dutch Shell fields at Talang Djimar.

Flying in a U. S. made Dutch air force bomber, a B-25, Standard Oil agents flew reconaissance over the Socony fields and saw clouds of black smoke rising 4,500 feet. They immediately made radio contact with Tom Conger, New Orleans field superintendent for the Socony-Vacuum Oil Co. here, who was directing efforts against the Indonesian guerillas' scorched earth tactics.

A Dutch airforce officer in the plane said the fires must have been set the night before. "The Republicans must have infiltrated during the night," he said.

Major Dutch strategy has been to protect the U. S., British and Dutch oil and rubber investments in the islands.



scorched-earth demolitions carried out prior to its capture.

Tegal is 87 miles west of Semarang, the big Dutch base in Central Java. A Dutch communique admitted Republican forces launched a ground attack in the eastern part of Semarang.

Dutch troops clearing out the eastern outskirts of Semarang, the communique said, "were somewhat hampered by Republican artillery fire."

DUTCH SUFFER

A Republican communique asserted the Dutch had suffered heavy losses from artillery fire and that Semarang was under attack from both the east and west. Yesterday the Republicans claimed **Bandoeng, which the Indonesians said they recaptured yesterday, and from Madjalala, 12 miles southeast of Bandoeng.**

The Netherlands forces were withdrawn, the Dutch communique said, "in connection with fresh duties elsewhere."

The Lamadjang power station was captured by Netherlands troops, the Dutch bulletin said, although "heavier resistance than usual" was met there.

The Indonesian communique claimed that Republican forces in the Bandoeng area also recaptured Tjimahi, five miles west of Bandoeng on the strategic Bandoeng-Buitenzorg road and rail lines, and Sindanglanggal, near Tjiloelangka, to

British Business Backs Rebuilding of Ruhr

By George Tate

LONDON, July 27.—Big Business here launched an attack against the government's social service program, calling for abandonment of all nationalization plans, and endorsing the Marshall plan for "the rehabilitation of the Ruhr."

"We must accept the need for curtailing expenditures on long-term projects, housing, schools and hospitals," said Sir Clive Baillieu,

Austria CP Asks Allies to Insure

Land on Indonesia

BATAVIA, Java., July 27.—American-trained Dutch marines swept ashore on beaches surrounding the coastal twon of Tegal, 45 miles east of Cheribon, and took the city while tank-led Dutch columns swept in from the west.

An Indonesian communique said Tegal still was burning from Dutch naval bombardment and Republican Tengaran, 10 miles south of Semarang.

The Republican communique said also Indonesian troops had opened counter-attacks in west Java southeast of Bandoeng, recapturing two town, and in east Java around the Dutch base of Soerabaja.

In the Bandoeng area the Dutch communique admitted withdrawing from Tjitjalengka, 17 miles east of The Republicans claimed they recaptured Kedondong, Bondong and some other small hamlets along the northern bank of the Brantas river southwest of Soerabaja and fought their way into Leomadjang on the probolinggo-Pasirian highway.

The Republicans accused the Dutch of attacking Malang from the air with dum-dum bullets.

Chiang Bids for More U.S. Arms, Pledges 'Victory'

In a bid to the Gen. Wedemeyer mission for increased U.S. military aid, Chiang Kai-shek yesterday told junketing American editors in Nanking there was no chance of peace with the Communists, promising that victory "will not take very long." Five months ago the Chinese dictator promised "victory" in three months. Since then his armies were swept out of all but several cities of Manchuria and suffered severe setbacks in Shantung province. He mentioned no time limit in yesterday's statement.

Chiang Kai-shek answered American criticism of corruption in his government with the alibi that armed action of the Communist - led forces prevented him from carrying out "reforms."

The Chinese dictator walked into a tea party his wife was giving for the group of American editors. He told Madame's guests that America has a stake in "his fight against the Communists."

SEEK 'COALITION'

Meanwhile Gen. Albert C. Wedemeyer consulted with Kuomintang officials, the "Young China" Party and other groups who are willing to go along with Chiang Kai-shek in order to give the regime a "coalition" appearance.

Wedemeyer also saw 30 leading American businessmen in Shanghai. The businessmen suggested conditions be attached to the military aid program which will improve their chances of realizing a profit from their investments and trade with China. They asked that China be required to use up American dollars reportedly banked in the United States.

One American business man charged that Chinese Kuomintang officials and businessmen have more than $500,000,000 in U.S. dollars salted away in America.

Chinese business operators also sought an audience with Wedemeyer to state their case for improving their profit taking.

Expel 430 Students For Political Views

SHANGHAI, July 27.—About 430 secondary schools and college students have been expelled here the last few weeks, most of them for their political views, the English language China Press charged today. Parents of the dismissed students have issued a protest against the action.

Yuan Hits MacArthur On Japan Industry

NANKING, July 27.—The Control Yuan today opposed Gen. Douglas MacArthur's plan to maintain Japanese industry at the 1930-34 level. In a memorandum for submission to the Cabinet, the Yuan, which is supposed to supervise general administration, also asked that the Kuomintang regime be given $275,000,000 of the gold bullion, diamonds, precious metals and cloth now held by the Japanese government.

powerful big business organization here.

Baillieu is chairman or director of a dozen or more companies, with a total authorized capital of nearly 100,000,000 pounds.

Warmly paising Bevin's speed in accepting the Marshall plan, he added, "No plan is likely to prove acceptable to American opinion which does not have the substantial rehabilitation of the Ruhr as one of its central objectives."

In 1939 Baillieu was one of the signatories of the Dusseldorf agreement between the Federation of British Industries and the German Reich Gruppe Industries.

The powerful Amalgamated Union of Building Trade Workers at its annual conference today condemned Bevin's foreign policy by a vote of 21-1 The resolution demanded immediate implementation of a Socialist foreign policy.

USSR Grants Credits To Albania

LONDON, July 27.—Radio Moscow broadcast communique today announcing the Soviet Union had granted a credit to Albania. Russia will supply Albania with equipment for light industry and agricultural machinery, the communique said.

[illegible]

VIENNA, Austria, July 27.—The Austrian Communist Party announced today that it had filed an appeal with the Allied Control Council and the International Union of Journalists in Prague to insure "freedom of the press in Austria."

The appeal followed a British Military Government order banning for three days publication of the Graz Communist Daily, Wahrheit, which the British said violated press laws laid down by the Allied Council.

The Communist announcement of the appeal came in the official Party organ, Oesterreichische Volksstimme.

The Party's appeal said that **Wahrheit** "printed, without bias, testimony given by witnesses at the trial of the 'Serenc Gang'" in a Yugoslav People's Court at Ljubljana.

The article referred to was a dispatch from Tass, official Soviet news agency. The dispatch said members of the "gang" had been convicted after it was proved they had been in contact with British military personnel, receiving arms and equipment from them.

BARE ANGLO-AMERICAN ARMS PACT

By William F. McMenamin
United Press Staff Correspondent

WASHINGTON, July 27. — The United States and Great Britain have a long-range "gentlemen's agreement" for standardization of arms that gives each nation access to the latest developments in guided missiles, jet propelled planes and other advanced weapons, high-ranking army officers said today.

One general staff officer said the agreement has not been put in writing, but is just as binding as if it were laid down in a formal treaty.

He said the agreement does not mean that the British and American armies will change overnight to the same type guns, tanks, planes and rockets. Such a switch would be wasteful, he said.

But it does mean that the British have access to the latest U. S. developments in long-range guided missiles—such as the German V-2 rocket tests at White Sands, N. M. —in American experiments with jet propulsion and some phases of atomic bomb production.

In return, Britain lets the United States in on results of its experiments in similar fields, including the rocket tests now being held in Australia. Additionally, War Department officials said that the British jet plane motor is the basis of the American jet.

The British are interested in standardizing such things as tank parts, gun calibres and truck parts. They also have expressed an interest in modifying their general staff organization to conform more closely with that of the U. S. Army.

The cryptographic communications facilities of the two nations are open books to each other. Although the wartime cooperation between the armies of the two nations has been somewhat curtailed they still carry on joint projects and permit each other's observers to view experiments.

FILMS — BOOKS — THE ARTS

Danny Scholl and Paula Bane of "Call Me Mister," the long-run hit musical revue now playing at the Majestic Theatre.

Movies

'Bachelor & Bobby-Soxer' Fun for the Whole Family

By E. Benson

Mr. Cary Grant is a consummate and adroit actor. There is no news in such a fact but the current film at the Music Hall should convert his worst enemy (if he has any) to acknowledging Mr. Grant's skill. In this story of a bobby-soxer who falls in love with an attractive older man, Cary Grant does all the things that we hate—and he makes you like it. He rolls his eyes, he grimaces, he's coy, he's cute but he

The Bachelor And The Bobby-Soxer; an RKO-Radio picture, starring Cary Grant, Myrna Loy, and Shirley Temple. Produced by Dore Schary, written by Sidney Sheldon; directed by Irving Reis. At the Music Hall.

all the ladies—young and old affec-

What New York Movie Fans Think of 'Crossfire'

By David Platt

Crossfire is a useful and necessary film and there should be many more like it.

That's what more than fifty moviegoers told this reporter when button-holed for their opinions in the crowded lobby of the Rivoli last Friday afternoon.

Following are some of the replies (with one exception, they were all willing to be quoted in the Daily Worker):

R. L. Hallock, 32 Vine Road, Larchmont, N. Y.: "I used to sort of feel the way 'Monty' did about Jews. I can see the point now. And I think this film can really help people to understand this question."

William Howard, 2266 Seventh Ave., N. Y.: "Very important message. A film like that about the Negro people would be a contribution today."

Gene Brandwein, 603 Van Sicklen Ave., Brooklyn: "A realistic picture. I have been called 'Jew Boy' in the army myself. I hope some of the fellows in my outfit get to see it. They may learn something from it."

Allen Goldberg, 9 Prospect Park W., Brooklyn: "Excellent—except for Robert Young's long speech. The film was everything the critics said it was. Don't recall ever seeing anything like it."

Henry Diamond, 192 Sumner Ave., Brooklyn: "Not a very deep picture. Not enough information tures along this line."

Mary Mahere, 117-32 119th St., So. Ozone Park, L. I.: "Something different. Shows what having hard feelings against people will do. Very good."

Marjorie Harrison, Bronxville, N. Y.: "One of the most honest films of its kind. One of the things about it that I liked is the naturalness of all the characters. The film did not make them out to be big heroes. They were just people. Plus the fact that they very definitely put across some excellent ideas as to how hatred leads to murder. It hit me right between the eyes. After the films we've had in the past two years it's nice to see a picture coming out like this. We need an awful lot of that. We're behind the times in this world situation and we've got to do something in order to make people like other people."

Harry Goldman, 1503 Metropolitan Ave., Bronx: "I am Jewish. I am concerned about the problem which is brought forth in the picture. I think they did a pretty good job in presenting the case. The picture is entertaining as well as instructive."

Joan McKernan, 502 E. 81st St., N. Y.: "It shows how people should get along with other races and religions. If a lot of people saw it they would understand why there should not be wars going on. I speak as a Catholic."

Michael Driscoll, 417 10th Ave., N. Y.: "I liked it. It's the sort of thing Hollywood should turn out more often. Hope the GIs get something out of it."

Lawrence Ashinoff, 1752 Sterling Pl., Brooklyn: "It gives people an idea of what can happen to a guy if he carries a grudge against a race or religion. Just the film to help people to see how wrong it is to hate anyone with a different race, color or creed."

Ann Burctic, 223 W. 20th St., N. Y.: "Should be more pictures like it not only about Jews but about other oppressed minorities."

Two French Satires At 5th Avenue

The Fifth Ave. Playhouse's current double French revival program consists of two Gallic satires, Raimu in The Man Who Seeks The Truth and Rene Clair's The Last Millionaire. Both have complete English titles.

Goldman Concerts To End Aug. 10

There will be only seven more of Guggenheim Memorial concerts by the Goldman Band, under the direction of Edwin Franko Goldman. The closing concert for Prospect Park will be given on Saturday evening, Aug. 9.

Look!

be pretty dull. With him, it's an amusing, entertaining movie.

LIGHT TOUCH

The story itself is so thin and so dependent on the light touch that the director and the actors impart to it, that it would be unfair to recount it. Sufficient to say, that Myrna Loy is a Judge, which is a rather nice idea we think; Shirley Temple is her young sister, who if she is representative of young America fills us with a strange loathing, and Cary Grant is a famous American painter and the object of with just the proper amount of seriousness when it's needed and liberal doses of humor are spooned out in the same way.

We would like to point out that **The Bachelor and the Bobby-Soxer** gets its humor and laughs at the expense of genuine comic situations in life and not at the expense of any racial or national group.

All in all, The B and the B-S, as the picture is being called by the B-S'ers, is the kind of light summer fare that's easy to take and easy to forget. Rudy Vallee, who was the heart throb when we were a bobby soxer, is an excellent foil for Mr Grant and a really good and longer. The best thing in it was Robert Young's speech about what happened to his grandfather 100 years ago."

Anthony Acquista, 22 Pike St., N. Y.: "The most important thing in the picture for me is that it tells people not to hate a man for his race or religion. Not enough action in it, however."

Ray Scott, 615 Thwaites Pl, Bronx: "Very good and necessary."

Harry Kay, 1675 Grand Concourse, N. Y.: "I hope it is the beginning of a long line of educational films and programs such as this."

Simon Baumohl, 774 Grote St., Bronx: "A very useful picture. I only wish they would make a lot more to help remove all prejudice in this country."

Cecil Moore, 944 Kelly St., N.Y.: "There's a lot of bad feeling around. We've needed something like this for a long time."

R. A., Harlem (federal employe): "An unusual picture. I enjoyed it. I am glad it said something that needed to be said. I think it will go a long way towards rooting out prejudice. I would like to see more pictures like it that bring out similar things about other minorities that are the victims of discrimination and prejudice."

Barney Heller, 971 Hageman Ave., Brooklyn: "The message comes across fine. More people will get wise to themselves when they see what can happen to a race hater. We should have more pic-

Belgian Buchenwald Film

It is a great pity that **We Lived through Buchenwald**, now at the Radio 65 Theatre, should be an amateurish and diffused motion picture. Certainly in this year 2 A.H. (after Hitler), when our leaders' blindly ignore the result of one reglitarization of the Fatherland, an effective screening of the horror that was Buchenwald would be of much service.

But this Belgian film (French is the language predominantly used, with English dialogue dubbed in) is not only technically poor in its photography and continuity. More important, it fails to present with full and impact all the drama inherent in this Nazi concentration camp for the nations of Europe.

HEROISM UNFOLDED

Yet just as a hungry man cannot remain unmoved by the sight of food, no matter how ill-prepared, so anyone whose hatred of fascism in all its ways burns undimmed will not but forget at times the deficiencies of film production as the atrocities of Nazi butchery and allied bravery and heroism unfold.

The story is that of a band of Belgian patriots sent to Buchenwald to die with Russian, French, Czech, Dutch and other comrades, they share, despair, hope, and finally, on the eve of the triumphant entry of American tank forces, drive out the Nazi garrison with guns clandestinely made.

Among memorable scenes is that of a group of Russian prisoners, expressing the yearning for home as they sing their Red Army Cavalry song to their comrades-in-bondage. Another shows the fervent, jubilant rendition of America's national anthem when the news of invasion comes.

Parts of the movie are described as having been made in Buchenwald itself, after the Nazis' ouster. Starring in the film are Rene Herde, Andre Gevrey and Marcel Josz.

—B.F.

Bernard Herrmann Conducts at Stadium

Bernard Hehrmann, CBS Symphony conductor, will ascend the Stadium Concerts podium for the first time tonight (Monday) directing the New York Philharmonica-Symphony Orchestra for this and the Stadium Concerts of Tuesday, July 29, and Wednesday, July 30.

His soloist on Monday evening will be William Kapell playing the Rachaminoff Piano Concerto No. 2, in C minor.

1947 CRITICS PRIZE PLAY
"A really welcome event—calls for a celebration." —Daily Worker
ALL MY SONS
by ARTHUR MILLER. Staged by ELIA KAZAN
BETH MERRILL—THOMAS CHALMERS
JOHN FORSYTHE—ANN SHEPHERD
CORONET Thea. W. 49 St. Cl. 6-5870. AIR-COND
Evgs. 8:40. Matinees WED. and SAT. at 2:40

"A luminous blend of satire, fantasy and music that comes across with plenty of flash and zing!" — WALTER WINCHELL
"A superb musical comedy with a healthy progressive point of view."—S. Sillen.
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Mats. Wed. & Sat. $3.60, 3.00, 2.40, 1.80, 1.20, Tax Incl.

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"Brilliant"—N.Y. Times
"High perfect"—Tribune
HARRY BAUR in
"The POSTMASTER'S DAUGHTER"
French (English titles)
Today thru Thursday July 31st
ALSO
"JEANNIE" "Best light comedy of the year"—Times
Century's VOGUE Century's TOWN

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ST. & PARK AVE. (Air Base Terminal)
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An artistic masterpiece in brilliant natural color
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"STONE FLOWER"
LIFE "ONE OF THE BEST...IN EXCELLENT COLOR"
& "JERICHO"

PATRONIZE ADVERTISERS

"I WONDER WHO'S KISSING HER NOW"
with MARK STEVENS · JUNE HAVER
20th Century-Fox Picture in Technicolor
PLUS ON STAGE IN PERSON!
ABBOTT and COSTELLO
Extra! MAURICE ROCCO
ROXY 7th Ave. & 50th St.

PRIZE FILM—THE EARS MOST HONORED MOVIE!
2nd RECORD YEAR!
"OPEN CITY"
WORLD, 49 ST. Cor. 7th Ave. Cl. 75747

Daily Worker

New York, Monday, July 28, 1947

Deported Jews Will Land in France Today

MARSEILLE, France, July 27 (UP).—Forty-five hundred Jewish refugees, sent back from Palestine to France, are expected to arrive off Marseille tomorrow morning, a communique issued by the prefect of the Department of Bouches du Rhone said tonight.

The Jews, in the British transports Empire Vigour, Ocean Vigour and Runnymede Park, may be disembarked here or at the little port of Bouc 25 miles west, according to latest word.

The government has announced it will "welcome" the Jews back to this country. But it added it would not take any steps to force them to land.

Representatives of the Haganah, Jewish underground organization, which is handling the immigration campaign, are posted at ports around Marseille, seeking to urge the refugees to resist any attempt to put them ashore.

However, both French and Jewish relief organizations are preparing facilities o receivte he immigrants.

It was reported the refugees included 800 children under six years of age, 150 pregnant women and 800 aged persons.

It was understood that as soon as the refugee ships arrived French officials would go aboard to identify the passengers. The passengers then will be told France will accommodate any who wish to land but that the French administration will not force anybody to land, it was reported.

Notices conveying this information are to be distributed in French, Yiddish and Hebrew, it was said.

JERUSALEM, July 27.—An official British statement said tonight

Rem-Rand Union Wins 8c, 6 Holidays

An agreement to end the seven-week-old strike of 9,500 CIO United Electrical Workers against Remington-Rand Corp. plants in five cities was announced here yesterday subject to local ratification of the provisions which include an eight cents an hour wage increase.

The settlement, if ratified at membership meetings tomorrow, will return workers to the company's plants at Syracuse, Ilion, Tonawanda, and North Tonawanda, N.Y., and at Benton Harbor, Mich.

Provisions of the agreement include, in addition to the wage increase, six paid holidays and submission to arbitration of any further wage increase and of any unresolved issues which are not settled in negotiations on a local level.

The union had demanded a 15 cents an hour package increase which was to include paid holidays. The difference between this demand and the actual offer will be the issue in wage arbitration.

The settlement also agrees to a two year contract, expiring on April 1, 1949, with a provision that wage negotiations can be reopened on April 1, 1948.

Approximately 6,500 members of the International Association of Machinists, independent, who are or strike at a Remington plant at Elmira, N. Y., are not covered by the agreement.

Machinist Union Quizzes AFL On Rejoining

WASHINGTON, July 27 (UP).—The International Association of

Forrestal

(Continued from Page 1)

One $23,000,000 bond issue to Bolivia in 1928 was used to help finance Bolivia's war with Paraguay in the Chaco jungles.

Bolivia fought this war as a mercenary for the Standard Oil interests that wanted to seize the oil lands south of the Andrean plateau.

Forrestal's company admitted that much of this loan was used to pay for armaments from the British Vickers arms trust.

Forrestal was making millions a year in lush years on Wall Street.

Some of his winnings were at the expense of the government's tax collectors.

He admitted to the Senate Banking Currency Committee in 1933 that he had failed to pay any taxes on one block of $864,000 in stock market profits in 1929 for four years. Then he paid only $6,000.

Under cross examination Forrestal told how he set up a Canadian holding company for tax purposes. The Canadian company was owned by a Maryland company in turn, and the latter was controlled by Forrestal himself. By juggling the securities around he dodged the tax collector.

This was crude—so crude that someone else might have gone somewhere else, and not to the cabinet.

The present Defense Secretary told the committee that he actually paid some $300,000 in taxes in '29. This indicates his income ran into the millions, after making allowances for the usual "deductions" and "exemptions" and the low tax rate prevailing that year.

Forrestal isn't as rich as the Rockefellers and the Morgans, whose representatives sit on the boards of his company's securities' affiliates.

But the former president of Dillon, Read is the teammate of the Rockefellers, Morgans and Dillons, and he is the fist of Wall Street in the super-powerful post of Secretary of National Defense.

Jersey Crops Plowed Under As Farmers' Take Is Slashed

migrants were approaching the Palestine coast with about 1,100 immigrants.

"While the government reserves its rights regarding destination and future deportations, these refugees will be taken to Cyprus," the statement said.

This meant that the refugees would be taken to internment camps on Cyprus and, unless the government changed its mind, would remain there awaiting "legal" entry to Palestine under the 1,500-a-month immigration quota.

NEW CAMPAIGN

A government informant said there was evidence the big underground organization Haganah had embarked on a campaign aimed at bringing 35,000 Jewish immigrants to Palestine in 25 ships. The President Garfield was the first of the 25, the informant said.

Troops cordoned off the Haifa and Mt. Carmel radar stations today as a precaution against another Haganah attack on them. The stations aided the navy and air force in intercepting immigrant ships.

Three British deportation ships arrived at Haifa early this evening awaiting the immigrants. Precautions were taken, by systematic dropping of depth bombs in the harbor, to prevent Haganah "frogmen" from swimming out and attempting to sink them.

terms of reaffiliation with the American Federation of Labor on an equal basis with other affiliates.

In a letter to AFL President William Green, IAM officers warned that "by a large majority" its members were opposed to rejoining the AFL if it meant that the Machinists would be discriminated against in AFL councils.

They offered to meet with Green and other AFL officials at any time to work out the terms of the reaffiliation.

The IAM reminded Green that they withdrew from the AFL only because the AFL head refused to issue a statement of policy defining the IAM's jurisdiction—a service, the Machinists said, that he performs for other AFL affiliates on demand.

The union said that this failure on Green's part encouraged other unions to stage "member raids" on IAM ranks.

2,000 Pitts. Miners Strike Over Layoffs

JENKINS, Ky., July 27.—More than 2,000 employes of the Pittsburgh Consolidation Coal Co. here struck because of the company's dismissal of 69 men, it was reported yesterday.

VINELAND, N. J., July 27.—South Jersey truck farmers are being forced to plow cash crops under. Scores of acres of beans, pickles, cucumbers, peppers, beets and squash are today disked up and whole crops of asparagus left in the fields to go to seed. As the Labor Dept. announced that food prices had hit a new high, 139 percent of the 1935-1939 average, South Jersey's produce farmers are finding that they cannot get cost of production returns from produce-buyers and commission merchants.

Pickles, which sold last year for $3.50 a bushel, are now getting 80 cents to $1.65. Last week, they hit a 10-year low of 50 cents but spontaneous action of 200 farmers refusing to sell at the Landsville produce auction, forced wholesale buyers to bid 75 cents.

Thirty-five miles away in the Camden-Philadelphia retail area, the same pickles and cucumbers are costing city consumers five cents apiece. String beans, on which cost of production is estimated at $1.60 to $1.75 a bushel, are bringing 50c to a $1.65 a bushel, for the men who grow them.

Lettuce, selling for $4.00 to $4.50 a 24-head box last year, is now getting 50c to $1 a box. Entire crops of asparagus brought no price at all, as large canners and commission merchants have refused to renew contracts with farmers.

Wallace Hits 'Loyalty' Purge

ROSLYN, N. Y., July 27 (UP).—Henry A. Wallace said today he would continue to work in 1948 to make the Democratic Party liberal, but if it became a party of war or depression American liberals would have to find some "escape."

Wallace denounced as a "disgrace o America" the prosecution of liberals and progressives in government employment under the President's loyalty order.

He spoke at a fund-raising open house sponsored by the Nassau County Independent Voters Association at the home of Michael Straight, publisher of the New Republic of which Wallace is editor.

Negro singer Paul Robeson assailed the action of the Dutch in Indonesia, asserting American Negroes were opposed to imperialism because they have been its victims.

Congress

(Continued from Page 3)

the brunt of the Taft-Hartley Act and in the long run they will pay, in one way or another, for the Truman Doctrine. But they will also suffer because of legislation which Congress refused to enact, including:

- Adequate housing, especially for veterans.
- Raising the minimum wage from 40 to 65 or 75 cents an hour.
- Curbs on the monopolies and trusts which grew tremendously in power during the war.
- Authorization for the Federal Government to punish lynchers.
- Prohibition of discrimination against Negroes and other minority groups in hiring and firing in private employment.
- Elimination of the poll tax as a prerequisite for voting in federal elections.

Although President Truman has disavowed any intention of calling a special session in the fall, it is generally felt Congress will reconvene to appropriate funds for the Marshall Plan. The carrot which the U. S. State Department is dangling before the people of Europe is a supply of dollars to carry them through the rigorous winter of 1947-48. These dollars cannot be made available by that time without a special session.

Many prominent Republicans have expressed guarded opposition to spending money for the Marshall Plan. But by fall, it is believed Wall Street will have succeeded in persuading them of the necessity of further expenditures to "combat communism."

Perhaps the most accurate measure of the failure of the 80th Congress to serve the American people is the continued ascent in the cost-of-living index.

On the day Congress adjourned, the Bureau of Labor Statistics of the Department of Labor announced that between May 15 and June 15 (the latest figures available) the retail price of beef and veal climbed 10 percent, all meat, poultry and fish, six percent. Retail food prices rose 31 percent since June 1946, the last month in which price controls operated.

British Wouldn't Pledge Goods for Soviet Grain

LONDON, July 27 (UP).—...cow Radio in its first comment... the breakdown of Anglo-Rus... trade negotiations said tonight Britain would not guarantee ...ery of promised steel rail and s...

In its broadcast recorded re... Moscow denied that the ...down came—as reported from... don—over disagreement on the price Britain would pay for Ru... wheat.

"Both sides agreed on n... prices and the price for wh... agreed on at a figure consid... lower than the price at which Britain recently bought a large quantity of wheat in Argentina and lower than that which at the present time exists on the Canadian market," the broadcast said.

After noting that the steel question was the first cause of the breakdown, Moscow said the second reason was:

TIME CREDIT TERMS

"On the question of prolongation of the 1941 credits the Soviet proposal consisted in a reduction of percentage rates on credits to 3 percent per annum and prolongation of payments to 15 years from the beginning of repayments—that is, from the end of 1944 in 12 annual equal amounts."

This Moscow said, would mean granting Russia time credit terms no worse than those which Britain only recently granted France on a prolonged wartime debt.

"The British rejected the compromise proposal," Moscow said.

"In order to reach agreement the Soviet side withdrew its proposal for prolongation of credits already granted and proposed that only half this sum be prolonged, agreeing to preserve the period of repayments for the other half.

"The British side rejected this proposal also and proposed that only one-quarter of the credits be prolonged, which was clearly unacceptable to the Russian side .... Since the position of the British side was not acceptable to the Soviet Union negotiations were ended."

October 23, 1947

3:40PM

MEMORANDUM FOR MR. TOLSON
MR. TAMM
MR. LADD

JAMES

Secretary of National Defense Forrestal telephoned me in regards to the meeting which will be held in his office at 10:00AM tomorrow. He stated that he had nothing particular in mind, but he wanted to gain the impressions from those who are to attend on a number of general aspects of the internal and external security situations. Secretary Forrestal said that he also wanted to take up the question of Congressman Coudert's proposal for an active counter agitation propaganda. He stated that if it doesn't embarrass me he would like to have me sit in on these meetings. I told him that I would be happy to do so and that I would be at his office at ten tomorrow morning.

Very truly yours,

John Edgar Hoover
Director

Deleted Copy Sent
by Letter Dated 1-25-77
Per FOIPA Request [redacted]

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b7C

SE 29 62-74409-16
1C 1B

RECORDED 32 OCT 24 1947

JEH:DJK
cc - Mr. Nease
Telephone Room

Tolson
A. Tamm
Clegg
Glavin
Ladd
Nichols
Rosen
Tracy
Carson
Egan
Harbo
Mohr
Winingham
Inn Tamm
Room
Nease
Sandy

SENT FROM D. O.
TIME 7:10 PM
DATE 10-24-47
BY DJK

Mr. Hoover

[redacted]

b6
b7C

[redacted]

March 23, 1948

Secretary James Forrestal,
Department of National Defense,
Washington, D. C.

Deleted Copy Sent
by Letter Dated 1-25-77
Per FOIPA Request No. 6

[redacted]

b6
b7C

Secretary Forrestal,

Not knowing how much time you and your co-conspirators against the peace are going to leave us former veterans, I write you now to tell you of the contempt, disgust and dislike we have for you and the other military dogs who are not only betraying the people of this nation into the hands of a gang of brass-hats but betraying all humanity [redacted] into oblivion.

62-74409-19

[redacted]

FBI
MAR 30 1948

Bad luck to you and your fellows.

Truly yours,

[redacted]

b6
b7C

James Forrestal

69 APR 6 1948

January 11, 1949

3104

MEMORANDUM FOR MR. TOLSON
MR. LADD

I returned the Attorney General's call and he advised me that he had talked to Secretary of Defense Forrestal who, he stated, was quite upset at what he called a smear campaign which was being directed at him. The Attorney General stated that Forrestal had shown him some messages which he stated had supposedly emanated from some person by the name of [redacted] and he, the Attorney General, wanted to know if we had any information in our files on such a person. I advised him that we would be glad to check and let him know.

b6
b7C

Very truly yours,

John Edgar Hoover
Director

Deleted Copy Sent by Letter Dated 1-25-77 For FOIPA Request [redacted]

b6
b7C

JEH:CH

RECORDED - 94

62-71499-20

INDEXED - 94

31 JAN 12 1949

89-43

EX-76

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

SENT FROM D. O.
TIME 11:2 pm
DATE 1-11-49
BY

62 JAN 19 1949 213

March 4, 1949

Honorable James V. Forrestal
Secretary of Defense
National Defense Building
Washington, D. C.

Dear Jim: FORRESTAL

As you prepare to return to private life, I want you to know how deeply I have appreciated the privilege of the close relationship which we have had during your career in the government. I shall always recall with pleasure these associations and I do hope that even though you are leaving official life I may have the pleasure of seeing you from time to time. If I can ever be of service I hope you will not hesitate to call upon me.

With every good wish,

Sincerely,

RECEIVED - DIRECTOR
F B I
U.S. DEPT. OF JUSTICE
MAR 4 6 10 PM '49

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by Letter Dated 1-25-77
Per FOIPA Request

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LBN:hmc

EX-152

cc: [redacted] (Rewrite of 4414, FEC:GO)

EX-37

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

58 MAR 17 1949

RECORDED - 3

March 20, 1949

11:12

MEMORANDUM FOR MR. TOLSON
MR. LADD

I returned the call of Honorable James Forrestal, former Secretary of Defense. Mr. Forrestal told me that he suspected his phone was being tapped and he wondered if it would be possible for us to check into this matter. I advised him that I would be very glad to look into this and also discussed with him a few precautionary measures he could take in order to prevent such an incident occurring.

Very truly yours,

JEH

John Edgar Hoover
Director

cc-Mr. Nease

Deleted Copy Sent [redacted]
by Letter Dated
Per FOIPA Request

b6
b7C

JEH:EH

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

APR 18

205

OFFICE OF DIRECTOR
FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

Record of Telephone Call or Visitor

I returned the call but could not locate him. H.

Mr. James Forrestal
~~called~~--phoned.

Phone No.

Hour 5:00pm Date Mar. 28, 1949

b6
b7C

REMARKS

Asked if Mr. Hoover was in town, and was told that Mr. Hoover was out of the office the remainder of the day and asked if there was a message. He said he would call [redacted] *to see if he knew if Mr. Hoover was returning, and inquired if he wouldn't know. It was explained that the Director was out of the office and not expected to return, but if he contacted the office, a message of his call would be given the Director. He was requested to give his name so the Director could be advised and he pronounced his name as "Mr. Forrest." The spelling was verified and he gave it as "Mr. Forrestal" and later gave his first name as "James." He was asked if he would like to leave his number, and he stated he could still be reached through the White House and he would like Mr. Hoover to call him at home.*

He was thanked for calling and told Mr. Hoover would be informed of his message as soon as possible. He spoke quickly and used short abrupt sentences.

mhm

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Jones
Mr. Mohr
Mr. Pennington
Tele. Room
Mr. Nease
Miss Holmes
Miss Gandy

DO-6

OFFICE OF DIRECTOR
FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

March 28, 1949

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Jones
Mr. Mohr
Mr. Pennington
Tele. Room
Mr. Nease
Miss Holmes
Miss Gandy

There was a party at the White House this afternoon for Mr. Forrestal and during the afternoon he remarked to [redacted] that he suspects that his phones are being tapped and asked to whom he should speak about this [redacted] told him Mr. Hoover was the one to talk to about it and told Mr. Forrestal he would be glad to call for him. He said no, he would call Mr. Hoover himself.

b6
b7C

hwg Mr. Tolson was advised

March 30, 1949

Honorable James V. Forrestal
3508 Prospect Street, N. W.
Washington, D. C.

Dear Jim:

I wanted to let you know that we have completed the check of the telephone lines and instruments in your residence and that all were found to be clear.

It was a pleasure to be of this assistance to you.

With expressions of my highest regards,

Sincerely yours,

J. Edgar Hoover

G.I.R-7

Deleted Copy Sent
by Letter Dated
Per FOIPA Request

RTH:AM

RECORDED - 33 62-74409
FBI
71 APR 4 1949

MAR 31 9 33 AM 1949

FBI - DEPT. OF JUSTICE

b6
b7C

COMMUNICATIONS SECTION
MAILED 7
MAR 31 1949 P.M.
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mrs. Nease
Miss Gandy

COPY:AJH

DECLASSIFICATION AUTHORITY DERIVED FROM:
FBI AUTOMATIC DECLASSIFICATION GUIDE
DATE 11-09-2009

OFFICE MEMORANDUM UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

DATE: April 7, 1949

FROM : MR. F. J. BAUMGARDNER

b6
b7C

SUBJECT: [redacted]
SOVME
ESPIONAGE - R

SECRET

Deleted Copy Sent [redacted]
by Letter Dated 11-23-76
Per FOIPA Request [redacted]

b6
b7C

PURPOSE:

The purpose of this memorandum is to set forth information telephonically furnished by the WFO at 1:30 P.M., April 7, 1949, to the effect that James Forrestal, former Secretary of Defense, had attempted to commit suicide on April 5, 1949.

DETAILS:

Mr. Kenneth Delavigne of the WFO telephonically advised that on April 6, 1949, through a technical surveillance maintained on [redacted] (U) the WFO obtained a recording of a conversation [redacted] The conversation was carried on in the Russian language and the translation, the results of which are set forth below, according to Mr. Delavigne had just been completed.

[redacted] (U)

As you know, no papers were printed in Washington yesterday due to the printers' strike. A perusal of today's Washington Post does not carry any information to the effect that Forrestal attempted to commit suicide.

For your additional information [redacted] is the subject of a pending investigation along with other subjects in the Sovme espionage case.

b6
b7C

ACTION:

None. The above is for your information.

FJB:mer

Classified by 4417
Exempt from [illegible]
Date of [illegible]
11-23-76

RECORDED - 111

62-29441-24

F B I

69

58 APR 13 1949

ORIGINAL COPY FILED IN

James Forrestal
Washington, D. C.

April 7, 1949

My dear Mr. Hoover:

In the absence of Mr. Forrestal, this will acknowledge receipt of your note to him of March 30th. It will be shown to him at the first opportunity.

Sincerely yours,

[redacted]

b6
b7C

Deleted Copy Sent
by Letter Dated 1-25-77
Per FOIPA Request mlb

Hon. J. Edgar Hoover
Director
Federal Bureau of Investigation
United States Department of Justice
Washington 25, D. C.

RECORDED - 123

162-74409-25

APR 21 1949

DELETED-RECORDED

50 APR 27 1949

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. H. B. FLETCHER

DATE: May 22, 1949

FROM : MR. E. M. HOLROYD

SUBJECT: FORMER SECRETARY OF DEFENSE
JAMES V. FORRESTAL
INFORMATION CONCERNING

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Holmes
Miss Gandy

This is to advise that at 11:05 a.m., Inspector J. J. McGuire telephonically advised that former Secretary of Defense James V. Forrestal committed suicide this morning by jumping out of a window at the Bethesda Naval Hospital. Mr. McGuire advised that Mr. Forrestal's suicide had not yet appeared in the newspapers or on the radio but would probably be on the radio within the next two hours. Mr. McGuire requested that Mr. Ladd be notified of the suicide of Forrestal.

ACTION TAKEN

At 11:05 a.m., the home of Assistant to the Director Ladd was telephonically contacted and the information concerning the suicide of former Secretary of Defense Forrestal was given to Mrs. Ladd.

EMH:esb

Deleted Copy Sent [redacted]
by Letter Dated 1-25-77
Per FOIPA Request mlb

b6
b7C

RECORDED - 128 62-74419-26

EX-11

62 JUN 6 1949

May 23, 1949

Deleted Copy Sent [redacted]
by Letter Dated
Per FOIPA Request

b6
b7C

SPECIAL DELIVERY

Mrs. James V. Forrestal
3508 Prospect Street, Northwest
Washington, D. C.

Dear Mrs. Forrestal:

Jim's passing was a terrific shock to me and I wanted to write you this personal note to let you know I am thinking of you in your hour of sorrow. Please let me know if there is any way at all I can be of assistance. During the entire period of Jim's illness I was most distressed because I had come to regard him as an intimate friend upon whom I could lean heavily for advice, guidance and counsel. In his death you have lost a good husband and I have lost a close, understanding friend. The entire Nation has been deprived of a distinguished public servant.

With kind regards,

Sincerely yours,

J. Edgar Hoover

DE-INDEXED
DATE: 12/18/58
6

MAJ:ecb

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

RECORDED - 33
INDEXED - 33
42 MAY 27 1949

RECEIVED - DIRECTOR
U.S. DEPT. OF JUSTICE
FBI

RECEIVED READING ROOM
U.S. DEPT. OF JUSTICE
FBI
MAY 24 3 54 AM '49

MAY 10 1952

62-74409-28

CHANGED TO

62-97196-2

DECLASSIFICATION AUTHORITY DERIVED FROM:
FBI AUTOMATIC DECLASSIFICATION GUIDE
DATE 1[redacted]-2009

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

FROM : D. M. Ladd

DATE: 1/11/51

Tolson
Ladd
Clegg
Glavin
Nichols
Rosen
Tracy
Harbo
Belmont
Mohr
Tele. Room
Nease
Gandy

SUBJECT: DIARY OF THE LATE JAMES FORRESTAL

~~CONFIDENTIAL~~

Classified by [redacted]
Exempt from GDS, category II
Date of declassification indefinite

11-23-77 Sec

G.I.R.-5

PURPOSE

To inform you that publication rights to the diary of the late James Forrestal have been assigned to the "New York Herald Tribune," which is preparing for publication and sale a book based thereon. The Joint Chiefs of Staff has referred to the Bureau an excerpt from this diary dated 11/8/45 relating to information furnished to Forrestal's office by the FBI. The names of individuals concerned and the data relating to them are incorrectly set forth. The Joint Chiefs of Staff request our comments as to whether the data can be published. It is recommended that Liaison advise the Joint Chiefs of Staff that this excerpt is incorrect and that the Bureau recommends against its publication.

DETAILS

By memorandum dated 1/10/51 the Joint Chiefs of Staff advised the Bureau through liaison that the publication rights to the diary of the late James Forrestal have been assigned by the executors of the estate to the "New York Herald Tribune," which is preparing for publication and public sale a book based thereon. In accordance with an agreement made between the representatives of the White House, the Defense Department and the executors, all publications prepared from the Forrestal papers are to be reviewed by appropriate governmental authority.

The Joint Chiefs of Staff referred to the Bureau for its comments the following reference from the Forrestal diary:

"8 November 1945 ATOMIC BOMB - FBI

"Admiral [redacted] advised me today that the FBI had identified a man named [redacted] (in the Special Scientific Group attached to the COMINCH (Commander in Chief's) office) who had been [redacted] has been isolated---that is, he will no longer receive information of significance---and he is being followed by FBI agents. He was one of Dr. Vannevar Bush's scientists.

(U)

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b7C

COPIES DESTROYED
332
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LV:eas

62-14401-31

RECORDED-111
INDEXED-111
JAN 15 1951
19

FX-60

52 JAN 17 1951

Deleted Copy Sent
by Letter Dated 1-25-77
Per FOIPA Request [redacted]

(U)

"He also informed me that another man named [redacted] who was in New Mexico, has also been identified as an enemy agent." b6 b7C

ANALYSIS

The Bureau on or before 11/8/45 did not identify to Forrestal's office anyone named [redacted] as being connected with atomic bomb espionage. (U) b6 b7C

The matter to which the diary refers is probably [redacted] investigation resulting from the disclosures made by [redacted] b6 b7C

A memorandum on Soviet espionage activity, dated 10/19/45, including the most current information at that time concerning the organization of Soviet espionage activities in the U. S. and Canada in connection with the [redacted] matter was transmitted to the Honorable James V. Forrestal. This memorandum and its cover letter were delivered to Secretary Forrestal's office by Bureau Liaison 10/22/45. (U) b6 b7C
(100-342972-16,37,67X2)

The individual referred to as [redacted] is probably [redacted] The memorandum points out that [redacted] was then assigned as Consultant in the Office of the Commander-in-Chief, United States Navy, Navy Department, and has been identified as the [redacted] There were no allegations that [redacted] was engaged in atomic bomb espionage or had ever furnished the Soviets any atomic bomb information. (U) b6 b7C

The individual referred to in the diary entry as [redacted] is probably [redacted] and was dealt with in some detail in the memorandum which Forrestal was furnished. The memorandum, however, does not show that [redacted] was ever in New Mexico and, in fact, the Bureau had no information at that time regarding any travel by [redacted] to any [redacted] in the U. S. other than the so-called [redacted] at the [redacted] (U) b6 b7C

CONFIDENTIAL

After the receipt of the aforementioned memorandum by Forrestal's office, Captain [redacted] of the Naval Intelligence conferred with [redacted] on 10/26/45 concerning [redacted] inquired whether the Bureau could give any assurance that [redacted] was not passing information which he received from his employment and was told that the Bureau very emphatically could not give any such assurance, since we had only a loose and casual surveillance upon [redacted] which was at the very best a "spot check." (100-343506-3X1) (U) b6 b7C

With regard to the significance of the date of the diary entry, it is noted that on the morning of 11/8/45, Admiral [redacted] of the Navy Department interviewed [redacted] regarding [redacted] (U) b6 b7C

[redacted] advised that [redacted] was working on a project relative to [redacted] which enabled him to review the [redacted] was looking for some "out" for the Navy, since he felt that he could not leave [redacted] in the latter's assignment. (U) b6 b7C

[redacted] pointed out to [redacted] that the case had been discussed on a Cabinet level and after considerable discussion, [redacted] indicated he would take the matter up with the Secretary of the Navy, Forrestal, and request that the Secretary of the Navy take such steps as were possible either to bring about the consummation of prosecution or some other action which would effectuate elimination of [redacted] access to restricted material. (100-343506-3X4) (U) b6 b7C

On this memorandum you noted, "Right, it is the Navy's 'hot potato.'" (U)

Under date of 11/13/45, Secretary Forrestal transmitted a note to you, thanking you for your letter of October 19 and its attached memorandum regarding Soviet espionage acitivity in the United States and Canada. (U)

There would appear to be no valid reason for the erroneous information contained in the diary entry, when Forrestal had in his possession, or at least in his office since 10/22/45, correct information. (100-342972-68X) (U)

CONFIDENTIAL

b6
b7C

STATUS OF [redacted]

[redacted] was convicted in [redacted] of violation of the [redacted] and is serving a term of imprisonment. b6 b7C

[redacted] was separated from his Navy employment in the [redacted] to take a [redacted] at [redacted] He is currently [redacted] is in the Bureau's [redacted] No evidence of overt acts of espionage was ever established against [redacted] The Canadian authorities are of the opinion that [redacted] while in Canada [redacted] was probably supplying information to Soviet agents who were his associates, but the Canadian authorities are unable to establish any overt acts of espionage by [redacted] (100-343506-158,162,163) b6 b7C

OBSERVATIONS

The entry in Forrestal's diary is incorrect as to both names and facts. The Navy Department at that time was trying to get out of an embarrassing situation with regard to their employment of [redacted] It would appear that no good purpose would be served by permitting the publication of wholly erroneous information. b6 b7C

ACTION

It is respectfully recommended that the Liaison Section of the Bureau advise Lt. Colonel [redacted] of the Joint Chiefs of Staff that the diary entry is erroneous factually, and we recommend against its publication. b6 b7C

[redacted]

Lt Col [redacted] advised 1/15/51 + that he will not advise publishers that it is erroneous factually + should not be included in publication 2 yes.

[redacted]

CONFIDENTIAL

copy to:

January 12, 1951

MR. TOLSON

L. B. NICHOLS

11:472

JM

[redacted] called and while discussing other matters he volunteered information that Senator McCarthy was circulating the story that he received $25,000 from [redacted] for allegedly having [redacted] ly off the late Secretary Forrestal.

He stated he checked into the background of this and ascertained that [redacted] was a very close friend of the late Secretary Forrestal and retained [redacted] to do some work for him. When [redacted] and Winchell started [redacted] Forrestal, [redacted] asked [redacted] if something couldn't be done to come to the defense of Forrestal. [redacted] informed [redacted] that he could buy Winchell and [redacted] off for $50,000 whereupon [redacted] gave [redacted] $50,000 and is telling people that [redacted] paid $25,000 to [redacted] and $25,000 to Winchell. After a lapse of several weeks and Winchell and [redacted] continued to lambaste Forrestal, he called [redacted] in and [redacted] stated that he gave $25,000 to [redacted] and $25,000 to [redacted]

He further stated that he has ascertained that about 10 days or two weeks ago Professor Leo Szilard, the famous Atomic Scientist, had breakfast with [redacted] who offered him $50,000 to write a series of articles on Atomic Energy. The Professor related this incident to a New York lawyer, [redacted], who in turn related the story to [redacted].

LBN:ge

James Forrestal

b6
b7C

Deleted Copy Sent
by Letter Dated 1-25-77
Per FOIPA Request #1

62-74409-

INITIALS ON ORIGINAL - 3

62FF67 1951
3/3

ORIGINAL COPY FILED IN 326-5a-1

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Tolson

DATE: 10/6/51

FROM : L. B. Nichols

SUBJECT:

James

Ogden Reid advised me that there had been some discussion on the Forrestal diary, which was compiled by [redacted] of the New York Herald Tribune, whom young Reid does not trust inasmuch as he is ultra-liberal. Reid further told me Colonel [redacted] of the Air Force told him that the White House had sat on the Forrestal material and had deleted some of the more damaging documents, although Secretary Lovett had told [redacted] they had deleted only six letters.

Reid further stated that the Vandenberg diary is presently being furnished Houghton Mifflin; that this would also be syndicated by the New York Herald Tribune.

cc: [redacted]

LBN:hmc

b6
b7C

Redacted Copy Sent by Letter Dated 12-1-75 Per FOIPA Request

RECORDED - 131

INDEXED 131

OCT 24 1951

G.I.R.

62-74409-38

SNIA 31
10-14-64
352

March 18, 1952

RECORDED - 159 62-7[illegible]-3[illegible]

INDEXED - 159

Mr. [redacted]

b6
b7C

Dear [redacted]:

EX-140

Your letter postmarked March 12, 1952, has been received.

While I would like to be of service, it is not possible for me to furnish you any data concerning the matters mentioned by you since they do not relate to a violation of any Federal law within the investigative jurisdiction of the FBI.

Inasmuch as your communication may be of interest to another governmental agency, however, I have taken the liberty of forwarding a copy of it to the Commissioner, Bureau of Narcotics, United States Treasury Department, 1300 E Street, Northwest, Washington, D. C.

Sincerely yours,

John Edgar Hoover
Director

Copy of incoming sent to the Bureau of Narcotics by form letter. Copy also being sent to the Secretary of the Navy.

NOTE: Correspondent is not identifiable in Bufiles.

TEB:pa:ems

COMM - FBI
MAR 19 1952
MAILED 20

Tolson
Ladd
Nichols
Belmont
Clegg
Glavin
Harbo
Rosen
Tracy
Mohr
Tele. Rm.
Nease
Gandy

65 MAR 28 1952

b6
b7C

March 9, 1952

John Edgar Hoover
Federal Bureau of Investigation
Washington, D. C.

JAMES V. FORRESTAL

Gentleman;

On the Brundige Ryan Crime Report (which is televisions show out New York) a [redacted] said he thought and would be able to prove in the near future that James V. Forrestal was driven to insanity by placing two grams of opium and two grams of some other narcotic in his coffee each day for two weeks. He said this would drive any man into wanting suicide; I wrote [redacted] but have as yet received no answer.

b6
b7C

Would you please tell me if there is any doubt that Forrestal commited suicide naturally? I would also like to know if taking those narcotics for the prescribed length of time would cause said reaction? Please send the reply to the above address.

Yours truly,

[redacted]

b6
b7C

RECORDED - 159
EX-140
62-[illegible]
MAR [illegible]

TRUE COPY

[redacted]

b6
b7C

March 9, 1952

John Edgar Hoover
Fedrol Bureau of Investigation
Washington, D. C.

11 [illegible]

Gentleman;

On the Brundige Ryan Crime Report (which is television show out New York) a [redacted] said he thought and would be able to prove in the near future that James V. Forrestal was driven to insanity by placing two grams of opium and two grams of some other narcotic in his coffee each day for two weeks. He said this would drive any man into wanting suicide. I wrote [redacted] but have as yet received no answer.

b6
b7C

Would you please tell me if there is any doubt that Forrestal commited suicide naturaly? I would also like to know if taking those narcotics for the prescribed length of time would cause said reaction? Please send the reply to the above address.

Yours truly,

/s/ [redacted]

b6
b7C

62-74409-34

CHANGED TO

62-117098-45

JUL 12 1976

JV/DR.