



SKIPPING MASTERED — Cathy Landry, 7, of Watertown, Mass., who had her right leg removed after doctors discovered it to be cancerous, is getting along fine. Here Cathy demonstrates how she has mastered rope skipping. (UPI)

Dillon, Family Have \$3 Million Riding On Tax Controversy

WASHINGTON (UPI)—Treasury Secretary Douglas Dillon and members of his family have about \$3 million riding on a tax case under continued study by the International Revenue Service, an arm of the Treasury Department.

A spokesman for Dillon said that the secretary has taken every precaution to make certain that no conflict of interest arises in this or any other tax case. An IRS spokesman declined to comment on the case.

As one of his first acts in office, Dillon directed that no tax case be brought to his attention unless it had been established in advance that he had no interest in the affected firm.

The tax matter involving the Dillons concerns a closed-end investment company known as United States & Foreign Securities Corp., whose shares are traded on the New York Stock Exchange. The firm is holding close to \$10 million as a reserve in event of an adverse ruling.

Tells of Holdings
At his confirmation hearings before the Senate Finance Committee on Jan. 11, 1961, Dillon said he personally owned 8 1/2 per cent of the company's stock and that his family holdings totaled about 35 per cent. He said he planned to continue this interest through a trust irrevocable during his tenure as Treasury secretary.

A Dillon aide told United Press International it could be assumed there has been no change in this situation. He said the secretary, in line with his policy of total isolation from tax matters involving himself, would have no comment on the matter.

In its June statement to stockholders, the most recent on file here with the Securities & Exchange Commission (SEC), U.S. & Foreign Securities listed net assets of \$111 million, most of them in blue chip common stocks. It said it had set aside \$9,650,000 in event of an adverse ruling in the tax case, which it held to be unfounded.

Reflects Dillon Ownership
It noted that such a ruling could cut the company's net asset value from \$36.44 to \$33.53, or \$2.91 per share. The company has 3,310,815 shares outstanding. The company's most recent annual report to the SEC, filed last April 29, appeared to reflect Dillon family ownership, mostly through trusts, of 1,010,529 of these shares, which would be about 30 per cent of the total.

The case dates back to the 1955 retirement of second preferred stocks of the corporation and of

a former subsidiary. This was accomplished by distribution of portfolio holdings. A company spokesman said today the IRS first approved this but later reopened the question and eventually took the position the distribution amounted to a sale and therefore was subject to added tax on realized capital gains.

The company spokesman said debate on this had gone on for several years but first was formalized by IRS on Jan. 19, 1951. This was a few days after Dillon's confirmation hearings and two days before he took office as a member of President Kennedy's cabinet.

This "proposed income tax deficiency" initially was set at \$6,900,000. Accumulated interest since has increased the potential liability to \$9,750,000.

President Of Firm
U.S. & Foreign Securities was set up in 1924 by Dillon, Read & Co., investment bankers. Before his appointment by President Eisenhower as ambassador to France in 1953, Dillon was president of U.S. & Foreign Securities and chairman of the board of Dillon, Read. After his stint in Paris he moved into the State Department and was undersecretary of state during the last two years of the Eisenhower administration.

Asked about possible conflicts of interest at his confirmation hearings for the Treasury post, Dillon said he was divesting himself of a number of holdings which he thought might be improper in his new post.

He said he had relinquished all active participation in business with his first appointment by Eisenhower, and that much of his holdings already had been turned over to management by irrevocable trusts.

He listed 12 firms in which he intended to continue his holdings, of which U.S. & Foreign Securities was the only one in which he owned as much as one per cent of the outstanding stock.

Issues Two Orders
In line with his commitments to the finance committee, Dillon on Feb. 21, 1961, issued two orders designed to keep specific tax cases out of his office.

He said tax problems brought to his aides from outside the government should be promptly referred without comment to the commissioner of internal revenue. Where Treasury officials needed guidance on tax matters he said they should consult Treasury Undersecretary Henry Fowler rather than himself.

In a separate order he told Fowler he did not want to be concerned with individual tax cases. But he said if any cases came to Fowler for guidance, and Fowler felt the need to discuss policy with Dillon, he first should reestablish through Dillon's trustees that Dillon had no interest in the firm involved.

Actually, said a spokesman for the secretary, no tax case ever has been referred to Dillon.



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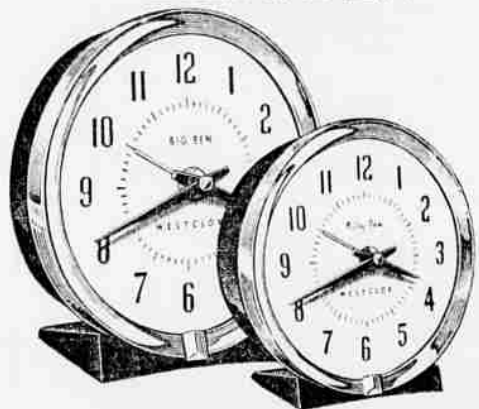
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James B. Donovan Tells About



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OCTOBER 20TH

Weekend Issue of **Family Weekly**

with your copy of the Medford Mail Tribune

Youth Adventures To Work in Forest

A cooperative agreement signed recently by the forest service and Youth Adventures, Inc., will permit the Medford youth group to undertake development and improvement work projects on the Rogue River National forest, according to C. E. Brown, forest supervisor.

The agreement grew out of the efforts of James McGoodwin, Siskiyou regional director of the group, to provide wholesome and educational outdoor activity for youth through camp-out work projects.

Projects are picked to provide safe, healthful work that will benefit national forest users. Selected campsites offer recreation opportunity to the group. Technical advice and tools for the projects are furnished by the forest service.

MacGoodwin led two camp-out work parties last summer on the Butte Falls Ranger district. More than 20 boys, ages 13 to 16, helped clean up campgrounds and lake shores, constructed a foot bridge, installed traffic control barriers, constructed garbage disposal pits, and helped to install part of a campground water system.

Other representatives of Southern Oregon college included Dr. John Conway, John McCollum, Dorothea Bushnell, Mary Helen Gwinn, Gwyneth Brinkworth, Doris Lassen and Florence Robinson.

Freedom Center Head To Run for Congress

SALEM (UPI) — Walter Huss, Portland, director of the Freedom Center, has filed preliminary notice he intends to run for congress. Huss said he would be a Republican candidate for the seat now held by Rep. Edith Green, D-Ore.



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