

*Eaton C.S. - Steep Rock Premium - Combines with Eaton's 1949*  
*Walters - Bingham - Bingham & Co.*  
*Cleveland Trust*

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*Eaton 1949 -*  
*Combined with*  
*Walters - Bingham - Bingham & Co.*  
*had a reciprocal*  
*Committee for*  
*Standard Parts*  
*in Reciprocity*

*Telephone*  
*Cleveland Trust*

April 12, 1965

Mr. C. S. Eaton  
 3600 Terminal Tower  
 Cleveland, Ohio

*Tarhauer*  
*and*  
*Johnston*  
*became a*  
*reciprocity*  
*Eaton*

*Ford and 1921*

Dear Mr. Eaton:

Enclosed is a draft memorandum concerning the bad debt issue. This is based primarily on your long statement to us which we recorded, transcribed, and then condensed somewhat. We also added certain material from other sources with respect to some ventures not discussed in your original statement.

In the case of Steep Rock, Premium, Atlantic, International and Ungava, the material is taken from the similar statement made by Mr. Daley; it seemed to us, however, that it ought to be included also in yours for completeness. We have added to it some additional material based on material in our own files which we have gathered in connection with the issues involving the valuation of stock of Premium. The material on Central States is taken entirely from material in our file.

We think all of these are relevant and tend to prove our point and believe that the discussion of these ventures should be included unless you have some objection or unless you find our statement erroneous in some respects.

We should appreciate your reading the enclosed and giving us the benefit of any suggestions or corrections you may have.

We also have the following particular points which we want to discuss with you at your earliest convenience:

1. Is there anything in connection with Eaton Manufacturing which would be helpful?

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Mr. C. S. Eaton

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2. How did your control of Goodyear arise? Was Otis utilized in connection with Goodyear?

3. In discussing the National Refining Company Board, there are named among the directors "Bender" and "Mr. Bolton, the owner".. See page 21 of the transcript. Who were these men?

4. There is some discussion of Continental Shares and Commonwealth Securities. I think there should be much more on these two companies. It has been my general understanding that Continental Shares was a public utility holding company and Commonwealth Securities was a holding company of other assets. These companies were obviously utilized to facilitate the aggregation of large amounts of capital for investment, and it seems likely that Otis in turn was used to sell the securities of these two companies.

5. The William Davies Company transactions are not very clearly or fully described. What was Otis doing in connection with these transactions?

6. What was International Shares and what was its history?

7. The discussion on Foreign Utilities, Ltd. is my own, based on information obtained elsewhere in the pending case. Is it correctly stated? Can more be said? Did Otis have anything to do with it?

8. The discussion of Citizens Gas is not entirely consistent with the story as told in our long memorandum on Investors Trust. I would like to go over this material with you again. The same relates to Indianapolis Gas, which is not described in this memorandum at all, but in which, as I recall, Otis had some part.

9. We have not mentioned Investors Trust, except in passing. It seems to me that there is no harm at this late date in describing it as another corporation which you assisted, both in its organization and through your advisory skill. In addition, you clearly used Otis in connection with your services to this company, particularly in handling its United States investments and in such transactions as that involving Central States.

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Mr. C. S. Eaton

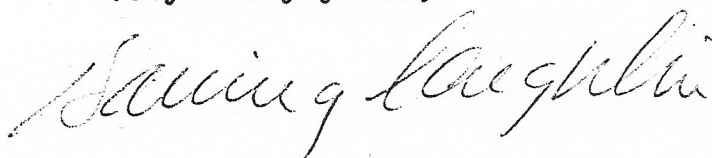
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10. We should also consider what is to be said about the United Mine Workers transactions. You will recall that a part of the debt of Otis to you which subsequently became a loss was a debt arising out of the elimination of UMW as a creditor of Otis. While this is not in any way a further example of the use of Otis described in the memorandum, you clearly had excellent business reasons for acting as you did in connection with the UMW.

11. Is there any objection to our indicating in the memorandum that you are no longer "engaged in business" and have not been in recent years? We are concerned about the possibility that if you are engaged in this business, an argument might be made that your capital gains become ordinary income, and that your interest deductions become business expenses (the effect of which would be to reduce the allowable amount of charitable deductions). During the years in which the bad debt is important, your capital gains and charitable contributions were small enough that we could well afford, if absolutely necessary, to sacrifice this point in order to gain allowance of the bad debt loss.

On the other hand, we could not risk this treatment in later years, and would therefore benefit by reserving the possible argument that at some time after 1951, you ceased to be actively engaged in the business of organizing, reorganizing, managing and obtaining financing for corporations.

Very truly yours,



Coughlin/cc

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