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## Douglas Says Tax Inquiry Aims to Get Him Off Court

### Justice Calls I.R.S. Study of Parvin Fund 'Manufactured Case'—Doesn't Intend 'to Bend to Any Such Pressure'

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Special to The New York Times

LOS ANGELES, May 25—Supreme Court Justice William O. Douglas has privately characterized Internal Revenue Service investigation of the Albert Parvin Foundation as a "manufactured case" intended to force him to leave the bench. The characterization was included in a letter dated May 12 to Albert Parvin, a multimillionaire Los Angeles business executive.

"The strategy is to get me off the Court," Mr. Douglas wrote. "I do not propose to bend to any such pressure."

When Mr. Douglas wrote the letter, he was still president and a director of the foundation and was earning a \$12,000 annual salary in those posts.

According to foundation records here, he used the salary primarily for travel expenses in connection with foundation business.

Mr. Douglas's resignation was announced Friday in a statement released by the foundation.

The statement said that Mr. Douglas had indicated to other foundation directors more than a month ago that expanding foundation activities posed "too heavy a work load" for him and that his health was also a matter of concern following an operation for appendicitis.

In Washington, Justice Douglas, informed that his letter had been released in California, made no comment.

A spokesman for the revenue service rejected the suggestion that any of the agency's inquiries could be motivated by personal or political considerations.

A memorandum in the files on foundation business main-

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tained by Mr. Parvin—who was for nearly seven years the foundation's finance committee chairman and is still a director—showed that Mr. Douglas on May 1 advised the foundation's board that he wanted to give up his posts after nine years.

It was in a file with that memorandum and numerous other letters and records pertaining to foundation business that Mr. Douglas's letter of May 12 discussing the Federal tax investigations appeared.

The issue of Mr. Douglas's connection with the Parvin Foundation was raised recently because of the controversy surrounding the resignation from the Supreme Court of Justice Abe Fortas, who had been offered a \$20,000-a-year fee by the Wolfson Family Foundation.

Mr. Parvin says that he has known Louis E. Wolfson for many years. Mr. Parvin was named a co-conspirator—but was never tried—in a stock fraud case involving Mr. Wolfson, who is now in prison for violations of the securities law.

Despite the prestige of some of the board members of Mr. Parvin's foundation, critics still point out that the Parvin Foundation was started with the nearly \$3-million in profits Mr. Parvin gained when he sold the Flamingo Hotel and gambling casino in Las Vegas 10 years ago.

#### Records Made Available

Mr. Parvin made many of his foundation records, which included Justice Douglas's letter, available to the New York Times to show he asserted, that "nothing the foundation has done is in any way wrong."

Also contained in Mr. Parvin's files is a packet of documents pertaining to the Internal Revenue Service investigation of the tax-exempt status of the foundation.

The packet, which Mr. Parvin's lawyers advised him he could not release for publication, included a series of allegations by a revenue service field agent questioning more than a dozen transactions involving Mr. Parvin's investment of foundation funds.

Along with a copy of the allegations were answering letters and documents prepared by Mr. Parvin and lawyers for the foundation, including Miss Carolyn Agger, the wife of Abe Fortas, who recently resigned from the Supreme Court.

Miss Agger is a noted tax lawyer with Mr. Fortas's old Washington law firm of Arnold & Porter.

"I think we will be able to answer every single allegation," said the 69-year-old Mr. Parvin, "and prove that the foundation was never used as any sort of tax dodge for me, my friends, my companies or anyone else."

#### No Formal Charges

Although the revenue service has never made any formal charges against the foundation, its agents have been investigating Mr. Parvin's and the foundation's books and records for



nearly three years.

Correspondence in Mr. Parvin's files indicates that revenue service agents have examined Justice Douglas's files in Washington. Numerous bank records and records of stock transaction have also been investigated.

In Justice Douglas's letter to Mr. Parvin, which says in its opening sentence that the Justice drafted it on yellow foolscap paper on a plane returning from Brazil, the Justice insists that the allegations of the revenue service must be fought.

Mr. Douglas also makes several suggestions in his letter as to how, in the future, the finances of the foundation can be completely and unquestionably set apart from Mr. Parvin's control or the implication of it.

His suggestions, Mr. Douglas says, probably won't help the foundation in its present problems with revenue service, but they ought to limit new difficulties.

Foundation records indicate that Mr. Parvin personally managed the fund for the philanthropy for nearly seven years and increased its initial capital during that time.

When the revenue service became concerned about his financial management, he relinquished control of foundation investments to a New York investment firm.

#### Board Cleared Dealings

During the time Mr. Parvin was chairman of the finance committee, the records show, virtually all of his dealings were cleared by the board of directors—either before or after the transactions were made.

In the minutes of the foundation through 1968 there are several references to the other directors' expressing "complete confidence" in Mr. Parvin's judgment in managing the foundation's cash assets and its stock portfolio.

Besides Mr. Douglas and Mr. Parvin, the directors of the foundation were, until last Friday when Mr. Douglas resigned as president and a director:

Robert F. Goheen, the president of Princeton University; Dr. Robert M. Hutchins, who is also the president of the Center for the Study of Democratic Institutions in Santa Barbara, Calif.; Harvey Silbert, a Los Angeles lawyer and an old friend of Mr. Parvin's, and Sidney Davis, a New York lawyer.

The new president and a director of the foundation is Fred Warner Neal, a professor of international relations and government at the Claremont Graduate School, in Claremont, Calif.

Professor Neal was at one

time a consultant in Russian affairs for the State Department and has also served as a consultant for the center of democratic studies.

A letter in Mr. Parvin's files from Harry S. Ashmore, a director of the foundation, details the position of the foundation in relation to investigations by the revenue service in early 1967 when the first stories about the foundation's tax problems came to light in newspapers.

The letter was sent by Mr. Ashmore, a Pulitzer Prize Winner, to newspaper executives he knew.

The letter says in part:

"The other point is the implication by the Internal Revenue Bureau that the foundation has been used by Albert Parvin to serve his own financial interest and to avoid the payment of income taxes.

"No such charges have been filed, but they have been suggested by I.R.S. agents as the basis for inspection of the foundation's records.

"The fact of this investigation, along with selected details from the foundation's private files, obviously were leaked to the newspapers before the I.R.S. even had a chance to evaluate the records it had requested.

"This was in late October [1966], and the board immediately acted to initiate an investigation of its own. The highly competent national firm of independent accountants that checks out every investment and every expenditure to see that I.R.S. regulations are complied with reaffirmed its clearance.

"However, because the I.R.S. accusation was directed against him personally, Parvin took the position that the other members of the board should arrange for a new investigation by experts without prior association with the foundation.

"In November the board retained Miss Carol Agger, the leading tax authority in the Washington law firm of Arnold & Porter. On her recommendation, the accounting firm of Haskins & Sells was brought in with the instructions to trace every dollar paid into or dis-

bursed by the foundation from the time of its inception.

"And, under the Caesar's wife principle, we had even transferred management of the foundation's assets to an independent investment company, Carl M. Loeb, Rhodes of New York.

"Haskins & Sells began its audit in December, and while the final report is not yet available, the accountants have provided Miss Agger with an interim report in which they state that the most exhaustive investigation they can devise has produced nothing to justify I.R.S. action.

"Even so, rumors are still afloat in Washington, and I presume in Los Angeles, that the I.R.S. is getting ready to move against the foundation and/or Parvin, and the implication, of course, is one of fraud."

The letter went on: "Miss Agger wrote me last week:

"The more difficult problem is the belief, apparently held by the Internal Revenue Service special agents, that in some way not reflected in the foundation's records, Parvin used the foundation for his own benefit. I have been trying to smoke-out what basis, if any, there is for the Internal Revenue Service suspicion. I have invited the Internal Revenue Service to examine the foundation's books and records and the Haskins & Sells draft audit report."

"The point is that we are being systematically frustrated in our effort to deal with the I.R.S. head on and satisfy any legitimate questions, while at the same time, on the basis of leaks that can only come from the I.R.S., Albert Parvin, the foundation and Justice Douglas (who obviously cannot reply) are taking a beating in the newspapers."

Mr. Ashmore, who is also a director of the Center for Democratic Studies in Santa Barbara, added in his letter:

"I apologize for belaboring this at such length, but I think you ought to have all the facts. The Center [for Democratic Studies] has only a minor financial interest in this matter, and I have none.

"My concern is personal; I am convinced that we are up against an outrageous act of

persecution by a Federal agency."

The Parvin Foundation, which was founded in 1960, has concentrated mainly on projects in education and international affairs. It is now a substantial sponsor of international meetings of scholars, jurists and politicians under a program called Pacem in Terris Convocation.

Justice Douglas has traveled extensively in Europe and Latin America to support the program, which was named after the Papal encyclical of Pope John XXIII. Pacem in Terris can be translated from the Latin as "peace on earth."

The foundation also sponsors a fellowship program at Princeton University for students from underdeveloped countries and at once time sponsored a similar program at the University of California at Los Angeles.

It has also financed conferences in association with the Center for the Study of Democratic Institutions, and in 1963 it sponsored a literacy program for the government of President Juan Bosh in the Dominican Republic.

When Mr. Bosh was overthrown, the sponsorship of the program by the Parvin Foundation was ended.

Professor Neal said in a statement on Friday in discussing the future of the Parvin foundation:

"We expect to carry on and expand the foundation's programs, particularly in the area of small, high-level international conferences, along the lines Justice Douglas initiated.

"The concept of what he called 'private international relations' is an important one, and it often performs a great service in thawing channels frozen by the rigidities of formal diplomacy."