

June 24, 1970

## MEMORANDUM FOR THE FILES

FROM: PETER FLANIGAN

On June 24th, Al Coyle of Hayden Stone called to tell me of the eminent disaster to their firm as a result of a capital violation. By virtue of my following these matters through the SEC, I was aware of this problem. Coyle said that the capital violation could be cured if the IRS had allowed a change in the company's accounting year from a calendar year to a June 30 year. The result of this change, which would require a 3-month concession by the IRS, would be to provide \$5 1/2 million of additional capital through tax refunds. Coyle informed me that this type of change and concession is available under the law. He further informed me that this had been put to the IRS staff and was apparently being favorably considered when it was turned down at the upper level of the New York IRS staff. Finally, he said the matter is being handled by Haskins and Sells and that their partner was in Washington now and they wished to put the matter before either Thrower or Kennedy.

At that point I told Coyle that I would refer the matter to the Treasury but that the White House contacts should cease and the matter not be discussed further with me.

Kennedy being out of town, I called Charlie Walker and explained the situation to him. I emphasized that I did not know the facts, other than as described above, and that regardless of the seriousness of the matter, nothing illegal or improper should be done on behalf of Hayden Stone. However, I did suggest that it was necessary, because of the serious implications of the failure of a major New York stock exchange firm at this time, that the matter should be carefully reviewed by the IRS. I emphasized that the White House should not be included in these discussions. Walker agreed that he would call Coyle and say that the IRS would be willing to meet with the Haskins and Sells auditor for Hayden Stone to review this matter. I again emphasized that he make sure that Thrower, regardless of the importance of this matter, not contemplate any action that could be questioned as to either legality or propriety. There will be no further contact between this office and Hayden Stone.