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Piracy on the Delaware

SRA Quarterly II 2004

By Paul E. Atkinson

Preliminary Note

In 1980 Paul E. Atkinson and Eugene Schorsch, former President and Vice President respectively at Sun Shipbuilding, recognized massive fraud at their former shipyard by its parent company, Sun Company. Their protests were turned aside and over the course of time they recognized further illegalities by Sun and others eventually leading to a massive fraud in Navy contracting. In 1992 and again in 1994 they filed suit, on behalf of the United States, under the False Claims Act in Philadelphia Federal District Court. The history of that litigation is described at **http://www.chesterchallenge.org**. Discovery in the current suit, 94-7316, has contributed to this article.

Introduction

When Sun announced in 1980 that they were getting out of the shipbuilding business, five of us formed a joint venture and offered some $200 million to buy the yard assets and, importantly, the shipping assets that Sun Shipbuilding had itself generated.[i] Why did the top Sun management brush us off without discussion? Discovery in our current lawsuit now makes it painfully clear that they had already involved themselves in a Faustian deal a year earlier. The whole charade of selling the yard was nothing but a pretext for PR purposes. The loss to Sun shareholders of the sham sale to Ed Paden instead of our group was irreparable.

This is the story of the plundering of an internationally recognized superior shipbuilding and ship repair operation, and the devastating effect on the people and city of Chester, PA and the surrounding communities by immoral leadership of a large oil company.

The Nature of Shipbuilding

This industry was seen by some to be a glamorous manufacturer of a romantic product, and by others to be just another large manufacturing industry doomed by technology to the rust bucket of history.

North Korea
India
Pakistan
Syria

Vote

The shipbuilding industry (and the ship repair adjunct that is often paired with it) is neither. First a cadre of experienced naval architects and marine engineers and skilled draftsmen combine their talents in carefully designing a transportation unit that will fit smoothly and efficiently into our complex water transportation system. The plans are then transformed into reality, procuring and assembling thousands of items of various materials and equipment into a finished product. This is accomplished by thousands of skilled mechanics generally working with small tools creating a huge and surprisingly efficient cog in our system.

Recent global conflicts have shown that a capable shipyard is a critical national defense asset when large quantities of materials must be moved to unexpected destinations. Sun Shipbuilding during WWII was the largest privately owned shipyard in the world and turned out some 40% of all tankers that supplied avgas, gasoline and petroleum products that fueled the allied armies moving across Europe. At its peak, Sun Shipbuilding employed some 35,000 people building ships on 28 shipways.[ii]


OUR YARD - YESTERDAY

(click on images for larger picture)

In the meantime, Sun Oil Company, the parent company of Sun Shipbuilding, had prospered and grown under the guidance of the two Pew brothers into one of the largest independent refiners and marketers of petroleum products in the Eastern U.S. In 1968 the company merged with Sunray DX, a large midwestern refiner and marketer forming one of the largest independents in the country. Unfortunately, later events would show that the strong moral management instituted by the Pews was being eroded and the shipyard was one of the casualties.

With the end of the war, the yard adjusted to a more normal size, representative of the prewar operation of 4-5,000 employees. The basic shipyard workload in this post-war period consisted of new shipbuilding to complement the emerging industries of the postwar prosperity, the burgeoning ship repair work that had its roots in the increasing Delaware River traffic, and outside sales tasks involving large and complex projects suitable for shipyard facilities. Among the many notable achievements of the yard were the **Hughes Glomar Explorer** and the **Manhattan**. Although the ship repair workload varied substantially from time to time, the shipbuilding operation generally employed 70% of the manpower; the ship repair operation 10-20%; and the outside sales projects some 10-20%.

A word about unions is appropriate since the U.S. shipbuilding industry


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is heavily unionized. Though my experience[iii] comes from the management side, I tend to be more sympathetic to the union's point of view than many of my management colleagues. Perhaps this is because I spent my early years as a mechanic and a shipfitter's helper. The union grievance procedure with its essential arbitration feature is an essential vehicle for keeping communications open between two entities with fundamentally opposing agendas.

Community Relations

During the first 60 years of its existence the community relations between the company management and the city were normal for the times, looking back they appear paternalistic in both tone and reality. However, the sign that one read on passing through Chester on the train to Washington was "What Chester makes makes Chester". It is indeed unfortunate that we let this sign and its underlying philosophy be removed.

> The devastation that has come to Chester flows from the demise of Sun Shipbuilding but it is in large measure the result of insufficient communication and transparency between the corporation controlling the community's economic engine and the community itself.

From the viewpoint of a large company, the efficient performance of city services are crucial to everyday working conditions. The company also needs a reasonable and pleasant face on its home base to welcome visitors, investors, customers, their own people and others when they come, as they surely will.

In turn, the community needs the company to be a good citizen through thick and thin. The community must be able to place its trust in the company and be assured that such an underhand conspiracy such as happened at Sun Shipbuilding could never happen.

Background before Board Room Revolution

Early in November, 1974 nine Sun Shipbuilding execs and their wives assembled in Bermuda for a long weekend planning conference aimed at a strategy for the next five years. They were joined on Monday by Bob Sharbaugh, Chairman/CEO of Sun Company and Sun Shipbuilding lawyer John Bartol.

The purpose of the conference among other things was to introduce a major expansion program, dubbed the **Grand Design**, in which the combined annual shipbuilding and shipping revenues would reach one billion dollars with $100 million of profit.

A presentation of the basic plan, how and when it would be implemented and the implications, especially the need for top-flight people, was made by me as CEO. Each of the other executives then spoke to the assembled group about his area of responsibility and expected challenges.

After hours of rapid-fire discussion on Saturday, Sunday and Monday morning, Bob Sharbaugh addressed the group endorsing the expansion and diversification plan enthusiastically. He made several speeches later to security analysts and others pointing out the advantages to a major oil company of investing in diversification; for instance, in dry cargo shipping.

Sharbaugh was in the process of a major reshaping of the Sun Oil Company. He had just completed a wholesale restructuring of the parent company into 14 independent freestanding modules (of which Sun Shipbuilding was one). This resulted in a long overdue decentralization of political power from the financial and planning staff. However, it contained the germ of rebellion that later overthrew Sharbaugh and led to the demise of Sun Shipbuilding and the decline of Chester.

By 1976, the first two phases of the Grand Design were in place. The $50 million shipyard modernization and expansion project was nearing completion, and the Sun Shipbuilding created and owned Alaska shipping project was coping with startup growing pains.

Signs of parent company trouble began to surface about this time. Sun EVP Gordon Hillhouse mentioned to me in Radnor (Sun Company headquarters) in late 1976 that Sun had decided to slow up the shipyard program and CEO Bob Sharbaugh who had been boosting dry cargo shipping as an investment to the stock analysts had been told to cool it. This may have been the first inkling I received of what was to come.

To see a few of Sun Shipbuilding's successes such as the giant icebreaker, MANHATTAN, and the HUGHES GLOMAR EXPLORER and other projects click here for **Appendix II**

At this time it was becoming evident that the Alaskan venture start-up problems were receding and the large shippers were beginning to come aboard. It was becoming apparent that the synergy inherent in a shipping/shipbuilding combine would emerge significantly although this was not yet apparent in the accounting figures.

In early 1977 several of us made a presentation to the Sun people of Phase 3 of the Grand Design involving the purchase of Pacific Far East Lines (PFEL) and the building of two large fast Sun Shipbuilding designed trailerships for the burgeoning Persian Gulf trade. CEO Sharbaugh, EVP Hillhouse and Dick Burk, one of the senior planners, after carefully listening and questioning seemed poised to go ahead, but COO Ted Burtis had been called away by an emergency and his approval was needed. I made another presentation to him on Saturday when he returned but he was non-committal.

Despite several attempts and inquiries, he continued to withhold his approval over the next three months. As bad luck would have it, one of the PFEL Lash vessels had a main gear malfunction that put the ship out of service in Hawaii. This and the Sun delay forced John Alioto of PFEL to make a deal with their major competitor, SeaLand. One thing led to another resulting in the eventual bankruptcy of PFEL.

Worse was yet to come. In June EVP Hillhouse and I were invited to a mediocre presentation of the future of the shipping and shipbuilding industries by the very central planning group that Sharbaugh's restructuring had pared down. As a result of this presentation, Sun decided to halt further involvement with the shipping industry. **[iv]**

Faced with this fait accompli, I carefully reviewed the effect of this on Sun Shipbuilding and concluded that a small short-term disaster lay ahead and made my thoughts known. As my views went unheeded, I retired in September after dividending what I estimated to be some $200-odd million of shipping assets (booked at cost - $10/20 million) to the parent. The valuation of these assets will turn out to be an important measure of what the stockholders lost in the disastrous "return to basics" policy in the shipbuilding company. These shipping assets were a major part of our group's later proposal to buy the shipyard following the decision of Sun to exit the shipbuilding business.

At this time the shaft alley wireless that is active in all large companies gave off strong signals that a serious Sun Board Room struggle was underway. This later came to be widely publicized in the courts and particularly with a long article in *Business Week*. CEO Sharbaugh was removed in 1978 and replaced by Ted Burtis. The principal fallout of this was the demise of Sun Shipbuilding and the loss of jobs in Chester.

More important from the Sun Shipbuilding point of view was the emphasis placed by Sun management on building a backlog at low fixed prices in an inflationary environment with high penalty clauses. **Poor management** caused yard production to decline. The introduction of foreign shipbuilding "experts" into the mix created unnecessary people problems. Difficulties developed in trying to cope with the imbalance of engineering and yard production. The first strike in some 20 years occurred, and labor relations soured.

The result was a loss of some $100 million even before the first ship built under the new policy was launched in October 1979 [which had estimated a relatively minor $1 million projected loss]. Sun executives thought so highly of my successor, **Pete Hepp**, that they elevated him to Group VP of the parent giving him much more responsibility.

Catastrophic management

But the new top Sun Company management must have come to regret the 1977-79 period because it showed them as extremely poor managers. As one ponders the later desperate actions which Sun management took, one can only conclude that they must have had their roots in this period.

A few months later at the January 1980 Sun Shipbuilding Board meeting the estimate for loss on that first ship had ballooned from the $1 million loss estimated under Hepp a few months earlier to be some $20 odd million in January. Since the projected material cost at launching is pretty solid this means that labor cost to complete had been underestimated at one quarter of that actually required. This raised many questions not the least of which must have been how much was going to be lost on the rest of the vaunted $500 million backlog whose selling prices had been based on the same sort of estimating. Sun later estimated this loss to be $125 million but it later turned out to be over $150 million. Sun Shipbuilding in the hands of amateur shipbuilders had turned into a tar baby.

Faustian Deal

In 1979, the Sun Company's top managers were in a quandary. Their position with their own board following the departure of Sharbaugh must have been uncomfortable. They had assured the Board that there would be no more losses. They now had to explain that the Sun Shipbuilding CEO that they had so highly praised a couple of months earlier and had nominated to be Group VP of the parent company had misled them badly. Faced with the prospect of going back to the Board and explaining all, they opted for a Faustian bargain that will be described below.

At this point a digression to discuss the Reagan Campaign for President in February 1980 is useful. Reagan had just beaten Bush in the New Hampshire primary and had fired John Sears as campaign manager and replaced him with Bill Casey. After reviewing the campaign finances, Casey fired half of the team that Sears had put together and was seeking ways of reviving a critical financial situation. He would have been extremely amenable to any approach by Sun (a substantial contributor to past campaigns) or he may have sought them out.

Later actions indicate they met and reached mutually acceptable conclusions as to action. These included:

- identifying a short-run takeover candidate for Sun Ship;
- laying the groundwork for a longer run repositioning of Sun Shipbuilding to participate in the upcoming Reagan Navy buildup; and
- solving the short and intermediate run financial problems that Casey saw he faced.

The process of setting up Ed Paden as takeover candidate for Sun Ship began almost immediately with the formation of **Paden Corp**. in Georgia on April 16, 1980 and the no cash sale of **Levingston** Shipbuilding Company of Orange, Texas by Ashland Oil to the newly formed Paden Corp. three days later. This was followed in July by the Bank of Nova Scotia and Rhode Island Hospital Trust financing of the sale. The $26 million sale was announced by an **Ashland** Press Release on July 18, 1980. We have found that the $26 million was comprised of $13 million of Paden Corp. bonds secured by the Levingston Shipbuilding assets and another $13 million of bearer bonds secured by the same assets. These assets were sold for some $6.4 million in later bankruptcy.[v]

October Surprise

Piracy on the Delaware is a title understatement for this story. As my colleague and I have pursued it for some twenty years we have repeatedly asked WHY as each layer was peeled away. In this long process the question, "Is this connected to October Surprise?" has been asked with ever increasing serious urgency. We don't know.

We both think there is little doubt that the treasonous **October Surprise** affair happened and it likely that GHW Bush flew to Paris following his TV appearance in Chester in 1980 to finalize the agreement with the Iranians to hold the US hostages until Reagan took office.

We further think, given the pressures on each in their respective endeavors, that Sun Company (probably Bob Dunlop* alone or Dunlop and Ted Burtis**) met with Casey in March or early April '80.

We have closely followed October Surprise information, having read what we consider to be the significant books and articles on the subject (Honegger, Parry, Sick, Ben-Menashe, Stich, Brewton, Pizzo et al, Wilcher, McClendon, etc.), but the connection of Bush to the clear Sun Company illegalities is not obvious. The recent Kevin Phillips book has again raised the October Surprise issue.

Casey, Dunlop and Burtis are all dead. We doubt that a hard connection to October Surprise can be made, but who knows? Our interest is primarily two-fold a) recovery to the United States for the immense fraud perpetrated upon the Navy and b) exposure of the underlying conspiracy commenced by Sun Company and the 1980 Reagan-Bush campaign. Consequent damage to private and public citizenry has been huge and broad. Betrayal of citizenry and constitutional government by elected officials and agencies has likewise been pervasive and damaging, in large measure made possible by the morphing of the campaign into government.


Sunday, Oct. 19, 1980 Philadelphia Inquirer

Bush, on TV, tries to sell Reagan to Pa. voters

George Bush
Answers questions in Chester

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* Robert G. Dunlop was then Sun Company Chairman Emeritus and long-time Director of Sun Company's controlling shareholder, **Glenmede** Trust Company through its control of Sun Company stock held in the names of the various Pew Charitable Trusts.

** Theodore A. Burtis was then Chairman of Sun Company.

Did Casey, still a private citizen, cause these actions? How may he have done so?

Under Carter the actions by CIA Director Stansfield Turner caused major disaffection among long-time CIA personnel. CIA personnel, terminated under Carter, and disaffected personnel, many remaining within government, worked during the campaign to further the efforts directed by Casey. It is likely that Casey received assistance from within government to cause Ashland Oil's Chairman to initiate the **sale of Levingston** Shipbuilding to Ed Paden. It is likely, too, that the $13 million in bearer bonds for that purpose were arranged from within government by personnel loyal to the Reagan-Bush campaign.

We have uncovered strong evidence that Ed Paden was a front in the later purchase of the Sun Ship assets and further hard evidence of a control mechanism established over him and his successor, **Thomas C. Weller**, Jr., with respect to those assets and all major business decisions involving those assets. We think the choice of Paden followed quickly on the heels of the Sun/Casey meeting in March or early April 1980.

The election occurred on November 4, 1980. Within a week, a company, City Capital Corporation, was incorporated in the Probate Court of Mobile, Alabama. Four years later it became the vehicle through which control of the Sun Ship assets was handed off from Paden to Weller. Weller, in deposition, said, "We formed City Capital sometime in the late '70s." Paden has testified in deposition that in 1984 Weller "came out of the woodwork." We are far more suspicious that the incorporation of the Alabama company so quickly after the election reflects illegal government insider assistance to Casey whose transformation into official government capacity could not occur until after the inauguration on January 20, 1981 and the release of the hostages.

Hide it in a one-time massive loss reserve

Sun's managers had evidently decided that their cash contribution to Casey's projects together with the writedown of some $100 million of Sun Shipbuilding assets they proposed to give away to Casey's people could best be masked in one massive loss reserve. This was done in the fourth quarter of 1980 although how this was explained to the Sun Audit Committee directors is hard to understand unless these directors simply looked the other way. How else could some $100 million of marketable assets have been arbitrarily written down to far less than market?

Subsequently, Levingston Ship filed for bankruptcy during the proceedings of which the bankruptcy judge wanted to see the whole story. Thus the original Paden deal in purchasing the shipyard is completely detailed in the bankruptcy court files, bearer bonds and all.

The secret agenda continued. In early 1981, an obstacle arose to the plan that Sun and Casey had hatched, in the form of an unsolicited proposal to purchase the Sun Shipbuilding assets and the shipping assets that the yard had dividended to Sun in 1977. This proposal came from a joint venture of Chester bankers (Pew family) and former top execs of Sun Shipbuilding. Sun stalled and mischaracterized the offer publicly neglecting to mention the hundreds of millions of dollars that involved the shipping assets. Layoffs of skilled people continued and eventually the offer was withdrawn. No public mention was made that Sun had already committed to the sale of Sun Shipbuilding the previous year.

In November 1981, a tentative deal with Ed Paden of Levingston Shipbuilding was announced subject to satisfactory negotiations with the unions. The Sun press release vouched for Paden as being financially able to compete in shipbuilding implying that they had seen his financials and they were strong. Obviously this was not true since a review of **Paden's financials** would have disclosed the bearer bonds and other inadequacies. This lack of financial muscle was to plague the renamed Penn Ship.

The next week **Senator Heinz** (Rep. Penn.) was given the astonishing news that Paden was in reality a front for others and had no ownership in the buying vehicle. Some months later Senator Heinz wrote to Pennsylvania Governor Thornburgh seeking a **guaranty** from the State for what normally would be a routine performance bond to allow Penn Ship to compete for a routine Navy job.

Negotiations with the unions must have been vicious since the new wage scale according to Paden was substantially lowered, working conditions were markedly changed and some unions disappeared entirely. The real intended beneficiary was Sun whose labor relations had deteriorated, had a large backlog to complete under intended subcontract to Paden, and already under binding arbitration had been found in violation of their union contract for subcontracting entire ships to their competitors. Indeed, the arbitrator had ruled that Sun was to pay for full-time work to a minimum of 1543 union members until the 1/8/82 expiration of Sun union contract whether or not work was required.

It turned out that the "sham sale" closing which took place 2/8/82 between Sun and Paden (Penn Ship *et al*) was later overturned for not meeting the "fair consideration" standards for a sale under the Pennsylvania Fraudulent Conveyance Act.

Handcuffs on Management

A month later on the 4th of March 1982, Reagan's people (now in government) asserted strong control over Penn Ship activities. This control and the policies that flowed from it ultimately resulted in the end of shipbuilding on the Delaware. The control was exercised through a stock pledge agreement that essentially gave Girard Bank (evidently acting on behalf of others) hire and fire capability over Penn Ship executives, and a Negative Covenant that required bank permission for any business actions. **[vi]** This confirmed our suspicions that other interests were operating through a large Philadelphia bank and that these interests had been deeply involved for some time.

The "sham sale" included a sweetheart contract under which Penn Ship built out the Sun ill-advised backlog on a cost plus basis plus an incentive (really a windfall $10 million gift). To whom, where or when the resulting huge profits (some $15 million) were distributed is not clear. The audited figures show little profit, but this seems impossible.

The Paden group built out the Sun backlog of highly unprofitable garden variety work in 14 months, and was working on two substantial SL 7 conversion jobs for the Navy, the bidding rights having been novated to Penn Ship by Sun. In 1984 Weller *et al*, in the guise of City Capital Corporation, who according to Paden "came out of the woodwork", purportedly bought Paden out for another $10 million. The new Weller team then set about landing the large Navy oiler contract then up for grabs. They bid much lower than anyone else, a dubious drill of going through the motions of pre-award qualification was conducted, and a jury rig of a performance bond was proposed to a compliant Navy contracting team.

The Weller Years [back to text]

At this point another clue surfaced. A deal had been made with two Texas insurance companies in which one of the Weller companies (acquired from Paden) owed some $4 million that had to be either paid or payment secured by an appropriate asset to continue its Workmen's Compensation insurance, necessary to perform the Navy work. This debt evidently had not been disclosed to the Navy. Weller had originally agreed to secure the debt with the huge drydock, but it looked prudent to change this for the pending Navy contract and substitute another appropriate asset. The insurance companies were willing to accept the change.

Satisfying the insurance companies was necessary to obtain the Workmen's Compensation insurance that was mandatory for the Navy contract award. Weller (or someone for him) decided on what now turns out to have been a deceptive and risky course. When on March 15, 1985, he initially handed the Trust Indenture to the Navy (a secret and fraudulent substitute for a performance bond which he could not obtain and which true performance bond was foreclosed to the Navy by its solicitation), in his covering transmittal letter he inserted a description of an imaginary asset and withheld at that point in the letter a substantial asset (Exhibit B real estate of the Trust Indenture worth some $30 million.) That Exhibit B asset was listed in the secret Trust Indenture to be secured to the bank Trustee for the Navy. He appears to have hoped that no one in the Navy would notice the omitted Exhibit B in the mass of legal and other documents transmitted. He may have hoped or expected that this would be sorted out later by only pledging a portion of the Exhibit B assets to cover the insurance debt, or by diverting from Navy security a seven acre parcel he had labeled as an Exception in Exhibit A real estate (some 120 acres), a different asset listed in the Trust Indenture, but which seven acres he described as a nullity, that is, a non-bounded description. He clearly hoped or expected that he could manage his Navy relationship as he sorted out the choice to secure the insurance debt.

Unfortunately (for Weller and his co-conspirators) the letter containing the imaginary asset was published in a 1995 Senate hearing booklet for all to see. The Navy evidently didn't buy the Exhibit B ploy. The final 3/26/85 Trust Indenture accepted by the Navy was secured by Exhibit B in its totality, the drydock plus other assets. There is no hint of this significant change in the depositions we have taken. Exhibit A with its nullity Exception was accepted as a Trust Indenture security. Five months after contract award the seven acres properly described as a bounded parcel was mortgaged to the insurance companies! It is evident that in addition to the insurance question, Penn Ship and the Navy while negotiating the Trust Indenture must have discussed an improper advance progress payments arrangement since the final 3/26/85 Trust Indenture added advance payments as a security purpose of the Trust Indenture. Some 18 months into the contract Penn Ship received $15 to $20 million from the Navy in overprogress payments, an unheard of arrangement in Navy contracting.

Years later, the Navy, in the course of a diligent Freedom of Information Act search, found each of the many documents of the huge 3/15/85 submittal, but not the withheld Exhibit B. The strong inference is that it had never been submitted. This non-finding together with the carefully phrased imaginary asset in Weller's transmittal letter and the later restoration of Exhibit B to the Trust Indenture looked highly suspicious, and turned the direction of our inquiry to the Navy.

The Navy contract team's actions in this procurement were highly questionable; both during the contract award negotiations and later contract administration. Operation Illwind, a massive FBI and Justice Department operation that ultimately disclosed widespread criminal activities in this Navy department, was also in full swing at this time. The pattern of corruption was detailed by *Wall Street Journal*'s Andy Pasztor in his book, *When the Pentagon Was for Sale*.

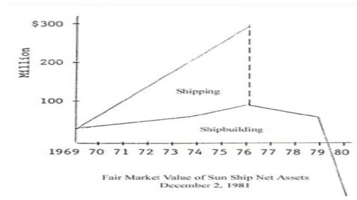
The Navy oiler contract award was finally made to Penn Ship on May 6, 1985, and provided for two contract ships with options for two more that the Navy ultimately awarded for a total contract price of some $420 million for the four ships. The contract provided for progress payments as the work progressed. The Navy overprogressed these payments for reasons that have been zealously guarded. Many questions have arisen about these, but little information has been forthcoming.

By 1987 it was obvious to the Navy SUPSHIP (Supervisor of Shipbuilding for the Navy at the shipyard) Capt. Pete Schrodt that no vessels would be delivered on time and on budget.

Much discussion took place in Washington and elsewhere, but no corrective action was taken until June 1988 when building the two option ships was transferred to Avondale in New Orleans with the first two remaining in Chester despite the SUPSHIP's opposition and strong recommendation for termination instead. The two ships at Avondale were routinely built and delivered, but Penn Ship defaulted on their contract and the hulks were delivered to the Navy to complete. The incomplete hulks were towed to Tampa where another fiasco occurred, that shipyard filed for bankruptcy, and the still incomplete hulks were towed to the James River, VA laid up fleet. The U.S. taxpayers are now the owners of two much worked on but incomplete Navy oiler hulks worth about $3 million in scrap. We estimate that this has cost the U.S. taxpayers some $500,000,000.

In summary, a colleague and I have brought two qui tam lawsuits seeking recovery of treble damages for the taxpayers of the funds improperly taken and used who knows where as a consequence of the many improper actions described. The latest suit is currently active in the U.S. District Court in Philadelphia. Our objective is to recover substantial funds for the taxpayers, recoup our costs, and expose the fraud that caused the demise of Sun Shipbuilding and inflicted such hardship on Chester. This is described in detail on our web site, **http://www.chesterchallenge.org**, along with developments as they occur.

One issue should be placed squarely on the table--the rewards that the puppetmaster people gain one way or another. We haven't had the resources to rigorously pursue money trails but the various payoffs to Ed Paden and the $50 million payout years later to four former Penn Ship *et al* executives (through the sale of a Cayman Islands subsidiary of Texas Drydock Inc. (TDI), a Penn Ship affiliate that appears to figure in the liquidation of the Sun Shipbuilding assets) may raise eyebrows. **[vii]**



Setting the financial record straight

There has been a selective distortion of accounting figures by the Sun central staff in addition to the 1980 book cooking that has generally misrepresented this whole Sun Shipbuilding – Penn Ship – Navy oiler default matter.

The Sun Shipbuilding figures particularly look to have been misrepresented. I have plotted the unvarnished financial picture below to reflect the true Sun Shipbuilding economic facts of the seventies in the graph below. (Click on chart for larger image)

Some Final Thoughts

The foregoing history of the demise of one of the great manufacturing enterprises of the Arsenal of Democracy in WWII and the postwar economic engine of Chester raises fundamental questions of profound relevance to many problems afflicting the United States today. What happened was not caused by the economic problems cited by Sun or the technological obsolescence that has befallen many of our rust belt industries.

The ruin of Sun Shipbuilding and the consequent undermining of a bustling blue collar U.S. city was caused by an improper alliance between the top management of one of our large oil companies, members of our political and intelligence establishments and a key element of our own national defense bureaucracy.

Plainly something is seriously wrong in our business and political system. Ironically, the overall national defense posture of the country has been substantially weakened in that one of the three or four most technologically advanced shipbuilding enterprises in the country is no longer available in the event of national emergency.

How could this have happened? What were the principal contributing factors?

How can we be sure it won't happen again somewhere else?

First and foremost we have to drastically change the system we depend upon for transparency of information. The press has been sitting on its hands instead of probing for potential problem areas. When facts have been opened to public scrutiny, those who raised the fundamental issues have been ostracized and belittled as conspiracy nuts. Some have been transferred to lesser tasks.

One newspaper towns do not make sense. Our TV and radio regulation needs rethinking based much more on the people's interest in getting solid and timely news. Fortunately, an important force for open and free comment has appeared on the horizon in the form of the Internet. The burgeoning arrival of millions of critics has already been a strong force for openness and promises more. It is important not to introduce restrictions of one kind or another that will undoubtedly be tried. Fortunately there seem to be few fetters presently on free interchange of ideas.

Much has been written about company-controlled press. But ferreting out the facts about Sun Shipbuilding’s demise is still hampered by the secrecy of the intelligence agencies that are deeply involved. There are those who think the national interest would be better served if more openness prevailed. The damage to the U.S. caused by the October Surprise, S&Ls, HUD, Iran-contra, Iraqgate might not have occurred had they not all shared and thrived on secrecy.

Beyond freedom of the press and transparency, another topic needs drastic action. This involves the personal risk and reward for CEOs and directors of publicly traded companies. The combination of the too liberal stock options and other benefits authorized but not policed by the directors and the directors being minions of the CEOs has been the root cause of growing CEO immorality.

In my opinion searching out the whereabouts of the stolen money, publicizing this and then recovering the stolen money will do more to prevent piracy in the future than other courses. The prospect of jail for this echelon of people is a powerful deterrent indeed.

Epilogue

Our focus has been the Navy fraud and the underlying conspiracy that enabled it. For us the Sun bookcooking of 1980 triggered this long pursuit. The improper writedown of the Sun Ship assets directly led to the Navy fraud. Sun’s phony $236 million loss reserve included the now proven improper and illegal $88 million asset writedown. Also included in the huge loss reserve was a slush fund of some $120 million. Its destination has never been disclosed.

Sun has improperly refused in discovery to produce its 1997 internal investigation of the 1980 bookcooking.

In 1986 Sun diverted a *Wall Street Journal* inquiry by lying to the then *WSJ* Philadelphia Bureau Chief, saying that the some $100 million (now identified as the slush fund money) went to contract losses (covered in a separate $124 million loss also in the 1980 books and not a component in the phony $236 million loss reserve.)

Sun Company Annual Reports confirm that the $120 million was paid out largely in 1982 and 1983.

Many questions remain.

Our philosophy is that an open society produces a better society. Toward that end others with more knowledge about October Surprise than we may wish to explore the reality of October Surprise.

Appendix I: Timeline of the Sun Shipbuilding story

1975 - 1978

Board room struggle over direction of Sun Company where Chairman Sharbaugh had been leading Sun Company on a path of diversification (similar to the path begun by Atkinson for the shipyard in the late sixties). Cessation of diversification and retrenchment to oil and gas was followed by Burtis replacement of Sharbaugh in 1978. Change was directed in shipyard strategy causing Atkinson to retire in September of 1977. Hepp was elevated to shipyard President. [Back to text]

1977

Since 1970 the shipyard had been hugely successful financially in generating some $200-300MM of shipping assets from an investment of less than $10 MM. CEO Bob Sharbaugh noted repeatedly in 1976 and early 1977 to financial analysts the promise of dry cargo shipping.

The long term shipping and shipbuilding synergy project had been approved in principle at the Bermuda Conference in late 1974. The first two phases of the plan, (a) the $50 MM shipyard modernization and (b) the Alaska trailership project were in place. As a matter of interest, this Alaska project (Totem Ocean Trailer Express) in time became the most successful and profitable of all U.S. shipping lines completely justifying Sharbaugh's early investment judgment.)

The third phase (c), purchase of controlling interest in Pacific Far East Lines (PFEL) for $10-15 MM and building two third generation large fast trailerships (approximately $100 MM each) for their Persian Gulf service was tentatively approved in the first quarter of 1977 by CEO Sharbaugh and EVP Hillhouse. This approval was subject to COO Ted Burtis concurrence. Burtis had been scheduled to attend the presentation for approval, but had been called away by an emergency. [Back to text]

Atkinson met with Burtis a week or so later and repeated the presentation. Burtis agreed to consider the proposal, but withheld immediate approval. Burtis delayed for some months citing one reason or another. It became evident that something other than the merit of the Sun Shipbuilding proposal was at issue. John Alioto of PFEL became extremely concerned by the delay, and finally had to make a deal with his primary competitor (SeaLand) that eventually led to PFEL bankruptcy.

In June 1977 EVP Hillhouse and Atkinson attended a mediocre presentation of the Sun planners that identified a poor future for shipbuilding. They were then told by Dale Stone, Senior VP (organization resources), that the shipping activities (as opposed to ship building) of Sun Ship were no longer Sun policy, and they would be phased out and discontinued. This was a radical change in policy with attendant huge losses. Plainly, this was part of a back to basics philosophy that resulted in the unexpected cashiering of Sharbaugh and his diversification policy in the months ahead.

Atkinson assessed the possible damages, found them extreme and spoke with Hillhouse, Kephart and others. Atkinson retired in September 1977.

1978 – 1980

Inexperienced shipyard management had problems:

- misreading the market,
- establishing unrealistic sales prices and delivery dates with large penalties,
- taking quantity of jobs beyond engineering capacity (compounding that by subcontracting engineering),
- manufacturing efficiency declined markedly for many reasons,
- heavy handed labor relations resulted in the first strike in some twenty years,
- introduction of Swedish consultants to introduce new methods to veteran shipbuilders caused an exodus of skilled people,
- subcontracting of entire contracts to other yards resulting in alienation of work force,
- loss in a resulting major arbitration and increase in contract costs.[Back to text]

July 30, 1979

Formation of Paden Inc. This company became the parent of companies formed to take over Sun Shipbuilding assets in February 1982. Subsequently, it was renamed Capital Marine Corporation in 1984 at the time it was taken over by City Capital Corporation, a company created on November 12, 1980, a week after Reagan's election.

November 1979

Unexpected and unwarranted promotion of Hepp to Group VP of Sun.[Back to text]

January 1980

Top Sun Company management realize that Hepp's projections of profit and loss in the fourth quarter of 1979 were far off target and that catastrophic losses on the shipbuilding contracts signed under the new policy lay ahead. Hepp was relieved of yard responsibility in early 1980.

February 1980

Replacement of John Sears by Casey as Reagan Campaign Chairman, engineered by Allen and Meese (Allen an admirer and associate of Casey from 1968 Nixon campaign.)[viii]

March or early April 1980

Orin Atkins, Chairman of **Ashland Oil** who owned **Levingston** Shipbuilding, called **Ed Paden**, then President of Levingston Shipbuilding, and said, "Ed, how would you like to own the shipyard?" Paden replied, "I only have a thousand dollars." Atkins replied, "That's enough." [ix][Back to text]

April 16, 1980

Incorporation of Paden Corp with the intention to sell Levingston.[Back to text]

July 28, 1980

The Ashland Press Release announced sale of Levingston Shipbuilding to Paden. An unidentified benefactor contributed $13 MM to the purchase, taking bearer bonds as security, and disappearing, without repayment prior to a Levingston declared bankruptcy in August 1985.

(Note: four and a half years later, on February 12, 1985, Counsel for Capital Marine Corporation and its subsidiaries wrote that the Purchase and Sale Agreement of Levingston to Paden was dated *April* 19, 1980, three months earlier than announced by Ashland.)**[x][Back to text]**

July 1980

Reagan/Bush ticket selected in Detroit

August 19, 1980

Reagan/Bush give Sun Shipbuilding a full-blown campaign stop.

September 22, 1980

Iraq invades Iran

October 18, 1980

Bush returns to Chester for TV appearance at Widener University. Bush left Chester that evening. Russbacher asserts he flew Bush and others to Paris in Saudi owned BAC 111 jet[xi] and returned Bush in SR-71 Blackbird to McGuire. Bush at Capital Hilton, DC at 8:00 PM for Sunday night 10/19/80 speech.[xii] **[Back to text]**

November 4, 1980

Reagan wins election.

November 12, 1980

Incorporation of Weller companies in Alabama, one of which would become the controlling company of Capital Marine Corporation (aka Paden Inc.) in 1984.**[Back to text]**

December 1980

Sun Company finalizes 1980 figures including a staggering $360 MM pre-tax loss at Sun Shipbuilding. The largest component is a phony $236 MM loss reserve for termination of ship construction operations.[xiii]

2nd Quarter, 1981

Glenmede increased their Sun Company stockholding by 919,000 shares. Sun Company's controlling stockholder was Glenmede, manager of the Pew trusts and at that time the second largest charitable trust in the nation. They controlled assets (mostly Sun stock) exceeding 2 billion dollars. Several directors of Glenmede were Sun directors and the son-in-law of a long time Glenmede director and former Sun Chairman later became President of Sun. Fundamental questions concerning charitable trusts and their participation behind the scenes in the Sun Ship matter would arise. Glenmede has since divested their Sun Company stock. **[Back to text]**

July 31, 1981

Paden caused Levingston Shipbuilding to sue Inland West for appropriation of trade secrets. Inland West countersued. (Note: in April 1983, a jury trial awarded $11.5 MM in damages against Paden personally; the amount was subsequently reduced by the judge. Paden testified at trial.)

August 1981

Wise's resumé indicated he was Senior VP of Pennsylvania Shipbuilding Company (PSC) from August, 1981, a date preceding Sun's Letter of Intent to sell to Paden and preceding the January 21, 1982 incorporation of PSC.

November 1981

Sun Company agreed to sell to Paden whose finances and other capabilities Sun misrepresented. Announcement by Sun Company Chairman and the letter of intent was dated November 23, 1981.**[Back to text]**

A week later Paden lieutenants (VP Wise and VP Colton) tell a top aide to **Senator Heinz** that Paden owns no equity in the company buying the Sun Ship assets and is a front man for Ashland and the banks.[xiv]

February 1982

Paden negotiated with the Union, reduced wages, etc. and finalized the sale.**[Back to text]**

February '82 to April '83

Paden performs Sun backlog and contracts for 2 SL-7s. Right to bid novated by Sun.

July 1982

Paden was unable to get a performance bond to suit Marine Transport Lines for their bid to Navy on a conversion contract. **Senators Heinz wrote to Governor Thornburgh** on July 22 asked the state of Pennsylvania to **underwrite**the performance bond, copying the letter to Delco Industrial Development Authority.[xv] **[Back to text]**

Subsequent Annual Reports of Sun Company show that the slush fund was drawn down mostly in '82 and '83.

Inland West sequel

The 4/83 jury $11.5 MM personal judgment against Paden in the Inland West case was reduced 6/83 to $5.5 MM.[xvi] Under oath in this case Paden testified that Sun "offered to sell the company to us for no money."[xvii] Paden appealed and was required to post a 9/6/83 supersedeas bond in an amount of $6.5 MM.[xviii] Paden lost the appeal 2/8/85 and was denied a rehearing 3/21/85.[xix]

Appendix II – Sun Shipbuilding & Dry Dock Company 1965 – 1980, a history and some of its notable successes [Back to text]

Already with a strong design core capability, Sun Ship began in the early 1960s to expand its design capability and by 1965 began to enter a new strategic direction in its approach to merchant ship contract and construction. It began the development of a marketing department with financial acumen and shipping intelligence pointedly directed to new needs and requirements of the marine community. Coupled with its design strength, these forces were utilized to free the shipyard from unimaginative, low price work, not necessarily suited to its building facilities or production schedule. It aimed instead at special purpose designs, highly compatible with its building facilities, achievable of extremely fast delivery, and offering the ship operator the high financial return possible through innovation in design, financing and rapid delivery. It freed shipyard and operator from the deadly morass of government over-regulation and specification.

In 1965 the shipyard management saw a shipping need and a budgetary impediment at MSTS (transport branch of the Navy). It conceived and proposed the revolutionary gas turbine propelled roll-on/roll-off ADM. WM. M. CALLAGHAN.

In a joint venture with American Export lines, it offered to MSTS one of the first modern build and charter contracts, now commonplace. This contract through a joint company called Sun Export Holdings put Sun Shipbuilding in the operating business for the first time and for the next 21 years operating profits from the contract flowed partially to the shipyard.

This experience was followed swiftly by Sun Ship's pioneering entry into the Puerto Rican trade with a fast twice weekly roll-on/roll-off service with the PONCE DE LEON under the TTT flag.

Sun Ship arranged the financing for this new line, took an ownership position, provided a superior design, and delivered the ship taking one year for design and one for construction. That single screw vessel was the first of four under the TTT flag which later was "nationalized" under the PRMSA or Navieras flag, thus bringing the shipyard profits from building, operating and then sale of the highly successful shipping line.

Variations of the PONCE DE LEON followed, some lengthened, and some modified for special service such as Alaska and the Persian Gulf. Few knew the extent or value of the ship operations entered into by Sun Shipbuilding's subsidiaries. One of the better known of these operations was TOTE, a wholly owned Sun Ship subsidiary two ship roll-on/roll-off operation from Tacoma to Anchorage.

Sun Ship did not limit its expertise to dry cargo ships. In the period from 1965 to 1977, during which it did not construct a single vessel with construction subsidy, it delivered ten roll-on/roll-off's, five 80,000 DWT tankers, several 120,000 DWT tankers, the incredible HUGHES GLOMAR EXPLORER (see below), converted the MANHATTAN into an ice breaking tanker (see below), and more.

On the tanker operation side of its business, Sun Ship obtained a contract of affreightment from Sohio (affiliated with BP) to transport crude from the Valdez pipeline. With Mathiason, later Trinidad, Sun Ship incorporated Alaska Bulk Carriers to whom in 1975 the pioneering 124,000 DWT double-hulled tanker PRINCE WILLIAM SOUND was delivered.

The magnitude of Sun Ship's success in ship operations is reflected by the dividend, to parent Sun Company, of some $200 million in ship operation assets in 1977.

The Sun yard was rebuilt in 1974/5 with an investment of $50 million. In 1974 the largest floating drydock then in the country was designed and constructed by Sun for its own use. The 1974 drydock was constructed in conjunction with a novel level launch twin slab facility capable of translating horizontally 40,000 tons from shore into the novel tide compensating floating drydock.

HUGHES GLOMAR EXPLORER

A contract to design and build a large and complex deep ocean mining ship was awarded to Sun Shipbuilding & Dry Dock Company in 1971 with much fanfare by Global Marine on behalf of Summa Corporation (a Howard Hughes company). The vessel was to mine the seabed for manganese nodules using a complex mining machine on a several mile long pipe stem to the deep ocean floor. A huge lifting device straddled a moon pool and was mounted on an enormous gimbaled structure to pay out and retract the three-mile long pipe stem of cannon barrel dimensions. The hydraulic system supplying the muscle was the largest and most complex one that ever went to sea. The power plant was a newly designed one suitable for the revolutionary lifting involved. Many other unique features were incorporated to suit this formidable task. Mining experts from all over the world commented and pontificated on the wisdom or lack thereof of the project. Many detailed future projections of nickel, manganese, copper and other mineral markets were made. In the meantime the design and construction were proceeding on a fast bell toward launching on November 4, 1972. The launching guests including many dignitaries each received a real manganese nodule. The gracious sponsor was Mrs. J.R. Lesch, wife of the Hughes Tool President.

The vessel was delivered July 23, 1973 and proceeded to Bermuda, thence around Cape Horn to LA where she took the miles of pipe aboard. She had to make the long trip around South America because stability considerations had dictated a substantial beam increase with the result she was too wide for the Panama Canal. Following the LA stop the vessel began her real mission to recover a sunken Soviet submarine northwest of Hawaii. Much has been reported by the media about the vessel and her achievements. TV documentaries have been shown. At least two full length books have recounted her exploits.

One can reach whatever conclusion one thinks appropriate concerning the success or failure of her mission, but the excellence of her design and construction is readily apparent. Under any set of findings the challenging task that Sun Ship undertook as the designer and builder was carried to a remarkably successful conclusion. [Back to text]

Two of the four heavy lift cylinders Sun Ship installed on the HUGHES GLOMAR EXPLORER, part of the machinery within the gimbaled platform and derrick on the ship.

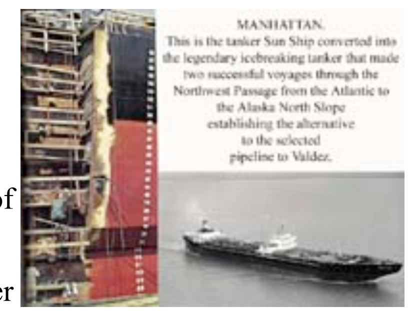
The Northwest Passage -- How Sun Ship made a giant icebreaker out of the

MANHATTAN

In 1968 Exxon, Arco and BP discovered oil at Prudhoe Bay, Alaska. Whether to get the oil out by tanker or pipeline became a huge question. Exxon chartered the only twin screw tanker over 100,000 DWT in the world. Exxon then put inquiries out to some two dozen shipyards around the world about completing a major structural and machinery conversion in six to nine months. Sun Shipbuilding got such a call and Gene Schorsch, then Sun Shipbuilding's Chief Naval Architect, met with Exxon the next morning. The next day Paul Atkinson, Gene Schorsch, and Sun's VPs for Engineering and Operations concluded that they could do the job on time only if the ship could be cut into several pieces and the work spread among several large shipyards. It was obvious to them that if they told Exxon they wanted to cut the ship into pieces, Exxon would not understand and that they would not get the job. Instead, they told Exxon that only if they had complete management and direction of the conversion could they meet the delivery date.

They got the job. Years later an Exxon official wrote, "Out of these various inquiries, the field promptly narrowed to one yard, Sun Shipbuilding & Dry Dock Company in Chester, Pennsylvania who were willing to have a crack at the conversion without really knowing what they were going to do."

Exxon announced on 12/16/68 that the MANHATTAN had been chartered and that extensive modification would be required to convert it for arctic service. The following major requirements for conversion to an icebreaker were developed.



1. Remove and store the old bow.
2. Construct and fit a new bow
3. Add an ice belt 16' high x 8' wide full length both sides.
4. Increase the beam from 132' to 155' at the shoulder of the bow.
5. Construct internal double hull in engine room, boiler room and steering gear room.
6. Add watertight bulkheads in the bow.
7. Reinforce platforms in the engine and boiler rooms.
8. Add reinforcement frames throughout the tank length.
9. Add collision chocks to machinery throughout the ship.

In mid January Sun told Exxon that the magnitude of this structural work was beyond completion by Sun alone for a June 1969 delivery and suggested that Sun subcontract major work to other yards by cutting the ship into four pieces, with Sun still managing all work. The job proceeded in that manner as shown on Table 1 with work from Alabama to Maine. Some 10,000 tons of steel were added to the original 26.000 tons of hull steel.

Cutting and reassembling the MANHATTAN required choreographing a virtual fleet of floating pieces. For example, to bring the small 700 ton bow piece from Bath a 16,000 ton tanker was purchased, cut, its machinery stern sold, and its forebody sent to Maine to carry the bow back to Sun.

Sun's large drydock (when built, the largest US floating dock) was big enough to drydock the MANHATTAN on arrival, but too small to drydock her when reassembled. Sun not only built a new section for that drydock but also built the new icebreaker bow in that section at the same time, launching them together.

The machinery side of the job was also extensive. Two new strong propellers were installed, the twin shafts were heavily reinforced, twin rudders were strengthened and ice horns added for protection when backing. Six of the cargo tanks were converted into massive heeling tanks should the ship get stuck in ice. A helicopter deck complete with two helicopters was added. Sea suctions were adapted with a warm water backflush system to clear ice jams and protect the ship's condensers. Radio and telecommunications were greatly increased. Quarters for crew and scientists were more than doubled.Sea trials were conducted and systems tested before the ship was turned back to Exxon. She sailed for the Arctic August 24, 1969, seven months after arriving at the yard!

One of the ingredients to this successful performance was Sun Ship's strategic determination not to overload itself with long backlog unimaginative work of low profit but rather to seize market opportunities enhanced by facility and schedule flexibility with in depth engineering and management capability. **[Back to text]**

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[i] Two of our group met with the union leadership at the time and received their hearty endorsement to proceed. We could not have foreseen that the Sun top management would allow, much less participate in, the action that has now become apparent. The devastation caused by this underhand action by top Sun management on the citizens of Chester under the guise of doing good is deplorable and inexcusable. Perhaps most disturbing was the calculated action of Sun in making contributions to the taxing authorities identified as community balm when they were simultaneously conspiring with a group with an entirely different agenda.

[ii] Sun Shipbuilding and Dry Dock Company changed its name on August 30, 1979 to Sun Ship, Inc.

[iii] Paul E. Atkinson, BS in NA and ME, Webb Institute of Naval Architecture, NYC. Upon 1942 graduation from Webb, Atkinson joined Sun Shipbuilding & Dry Dock Company. He had many varied assignments during the war period when Sun Shipbuilding operated 28 shipways, and performed extensive ship repair and conversion operations. Total employment at the wartime peak was some 36,000.

During the Korean War he became General Superintendent of all operations and in 1956 VP and General Manager. In 1961 he became President of Sun Ship and held that office until his retirement in 1977.

He conceived the Navy's first aircraft gas turbine propelled RO/RO vessel ADM. WM. M. CALLAGHAN in 1966, and under Mr. Atkinson the roll-on/roll-off revolution got its start. During 1965-1977 Sun constructed ten ro/ros, five 80,000 ton tankers, several 120,000 ton tankers, conversion of the ice breaking MANHATTAN, construction of the HUGHES GLOMAR EXPLORER and more. In 1957 and again in 1972 Sun designed and constructed the largest floating drydock in the country. A hallmark of the Atkinson years was the ability of Sun to accomplish a new design in a year and to construct that new design in an additional year.

He was a Trustee of Webb Institute of Naval Architecture for many years, and received the coveted Webb Alumni's William Selkirk Owen Award in 1977. He was a member of the American Bureau of Shipping, and their Technical Committee. He also was a director of the Shipbuilders Council of America, VP of the Society of Naval Architects and Marine Engineers and a member and technical representative of Lloyd's American Committee. He received the prestigious Sea Grant Association award and was active in the U of Delaware College of Marine Studies at Lewes, DE.

He was also VP of the Greater Philadelphia Chamber of Commerce and was active in similar civic organizations.

[iv] One expects political problems in any large company, but I had no idea that such an abrupt and illogical change in direction that would cost millions would be made in midstream and be allowed to stand. I recall thinking later when Sun ignored our proposal to buy the Sun Ship assets that there may have been forces at work even at this early date, 1977, that I didn't understand.

[v] A week after the Reagan election in early November 1980 the company (City Capital Corporation) that was to take over Sun Shipbuilding from Paden (in 1984) to participate in the Reagan Navy buildup was incorporated in Alabama on November 12, 1980.

[vi] For some reason we have been denied in discovery the underlying 3/4/82 Loan Agreement (we have asked for it three times) that may impose other surprising terms on who knows what.

[vii] See SEC filing – 8A April 4, 1997 for Halter Marine Group, Inc. For documentation on this case go to

http://www.secinfo.com/$/SEC/Filings.asp?CIK=1017646&Find=Thomas+C.+Weller&List=Hits&Show=Each&Page=All

(painless registration necessary).

[viii] Robert Parry (1993). *Trick or Treason*, 118. Leonard Garment (2000). *In Search of Deep Throat*, 236.

[ix] Communication of Radm. Charles Payne (Ret.), past Director of Levingston, to Eugene Schorsch.

[x] Letter produced in discovery, Case 94-7316, bates 9881 to 9883.

[xi] Rodney Stich (1998). *Defrauding America*, 140.

[xii] Cameron Barr (1990). "Stranger than Fiction," *American Lawyer,* 70.

[xiii] The $236 MM phony loss reserve contained (1) an undervalued asset kitty with improper $88 MM plant writedown, (2) a stand alone slush fund of $120/140 MM for unknown purpose (CIA ?) and (3) a proper amount of some $10-20 MM for health claims, employee severance, and community balm in the face of the discontinued operation under which the huge improper loss reserve was established.

[xiv] Carnegie-Mellon University Library, Senator Heinz archive collection.

[xv] Delco IDA (headed by Congressman Weldon) later provided the Delco guarantee in support of the improper WFLB loan to Penn Ship in 5/86, a year after the TAO contract fraud.

[xvi] Beaumont Enterprise newspaper, June/23, 1983 (Beaumont, TX).

[xvii] Testimony page 167.

[xviii] Supersedeas Bond dated September 6, 1983. District Court of Orange, TX, Case 09-83-234.

[xix] 688 South Western Reporter, 2d Series, pages 192-197.