



ASSISTANT SECRETARY

TREASURY DEPARTMENT

Washington,

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SECRET

December 5, 1947

Dear Joe:

With reference to the case of the SS COLONEL FREDERICK C. JOHNSON, I am enclosing for your information a copy of a further report rendered by the Bureau of Internal Revenue, regarding the investigation of Samuel Derecktor and other persons connected with the above-named vessel.

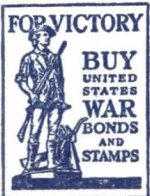
Sincerely yours,

I. H. Foley

Assistant Secretary of the Treasury

Admiral Joseph F. Farley
Commandant,
United States Coast Guard
Washington 25, D. C.

Enclosure



DECLASSIFIED
Authority EO 13526
By AA NARA. Date 3/27/17

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November 12, 1947

While in the employ of Weston, Captain Ash purchased both the
 Mr. Ralph A. Wheeler, Internal Revenue Agent in Charge
 341 Ninth Ave., New York, 1, N. Y.

was approached and asked to accept office
 Mates and Pilots Union, Local 88 located at 90 West
 N.Y., who were having internal trouble with the
 communist group within the union. The pressure to become an officer
 was brought to bear In re: Samuel Derecktor et al.

Dear Mr. Wheeler:

On Tuesday November 4, 1947, Captain William C. Ash was
 visited by Internal Revenue Agents Annis and Porto in connection
 with an examination of his 1944 and 1945 income tax returns. He
 is located at 90 West Street, New York, N. Y., and is an officer
 of the Mates, Masters and Pilots Union, Local 88, whose offices
 are at the above address. Captain Ash's home address is 168-11
 84th., Avenue, Jamaica, N. Y.

When questioned about the Weston Trading Corp., Captain Ash
 volunteered the following information:

In the course of his duties with Weston in connection with
 He was on active duty with the Maritime Commission as a Lieut.
 Comdr., during the war and in 1945 left the commission temporarily
 and went to sea. On or about August 1946, Captain Ash opened his
 office as a Marine Surveyor at 24 Stone Street, New York, N. Y.
 Soon thereafter he was approached by a group which included a Kieve
 Skidell, address unknown, who were interested in the purchase of
 surplus vessels. The captain explained that in the bidding of the
 vessels which were being offered by Maritime, it would be difficult
 upon purchase by an American citizen or company to either change any
 ships registry or to meet the American safety requirements as set
 up by our Board of Shipping. He further explained that if a foreign
 corporation made the purchase, Maritime would guarantee the immediate
 change to a foreign registry and the ship would not be subject to any
 American regulatory boards. He therefore advised the group to form
 a Panamanian corporation which corporation became the Weston Trading
 Corporation and set up its New York offices at Captain Ash's office
 at 24 Stone Street, New York, N. Y. Captain Ash thereupon was made
 president of the new corporation at a weekly salary of \$150.00 and
 was given power to sign checks jointly with Kieve Skidell, Treasurer
 of the corporation.

When questioned as to the identity of the remaining members of
 the group, Captain Ash stated that he had no dealings with any one
 other than the Treasurer, and therefore did not know who the others
 were, however he suggested that if we desire any further information
 about Weston Trading Corporation, we should address a letter to the
 company at 24 Stone Street, New York, N. Y. requesting an appoint-
 ment with a representative of same.

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While in the employ of Weston, Captain Ash purchased both the S. S. Northland, and the S. S. Warfield and put them into commission. In the meantime, the captain was approached and asked to accept office in the Masters, Mates and Pilots Union, Local 88 located at 90 West Street, New York, N.Y., who were having internal trouble with the communist group within the union. The pressure to become an officer was brought to bear by several shipping companies on contract with the union who feared communist domination of the union unless held in check by the captain. Captain Ash was considered to be a strong candidate for the office because he had made many friends in the union and in the shipping companies while he had been in command of the Officers Training School of the Maritime Commission during the war years. His ultimate election on January 8, 1947 forced his resignation as president of Weston Trading Corporation and his active participation in its affairs sometime in June 1947. He stated that he has no knowledge of the actual disposition of the two vessels Northland and Warfield, except that they sailed from American ports bound for Marseille, France, at which port the agents for the ships were Ginesta and Co.

It is Captain Ash's belief that any and all delays which he has encountered in the course of his duties with Weston in connection with the Warfield, Captain Ash became acquainted with Mr. Samuel Derecktor, president of the Chinese American Industrial Co., Inc., located at 500 Fifth Avenue, New York, N. Y. Mr. Derecktor, impressed with Captain Ash's handling of the Warfield transaction between Chinese American Industrial Co., Inc., and the Weston Trading Corporation, prevailed upon the Captain to represent and advise him upon the repair and commissioning of the vessel Frederick C. Johnson, which Mr. Derecktor had purchased from the Maritime Commission on May 20, 1947 for \$48,120.00. Captain Ash reminded Mr. Derecktor that his present position with Local 88 was a full time position and would have to do the work on week-ends only. This was agreeable to Mr. Derecktor, who hired Captain Ash on a per diem basis and a fee of \$1000.00 to be paid on completion of the repairs and commissioning of the ship.

Captain Ash advised the formation of the Brownsam Corporation a Panamanian corporation for the same reasons that the Panamanian corporation Weston Trading Corp., was formed. Principal officers of the Brownsam Corp., are Allan Brown and Sam Derecktor, the former is the son-in-law of the latter.

Captain Ash hired a Captain Weiss, a retired Norwegian seaman and local representative of the Alcoa Steamship Company as agent for the Frederick C. Johnson now being repaired at Norfolk. Captain Weiss' office is located in the same office occupied by the Vice-consul of Panama, N. Y., for the years 1944 and 1945, revealed no material change in the tax liability, and it is recommended that the returns be accepted as filed.

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An examination of the tax returns of Samuel Derecktor, 95 Lord
 Kit there is no full crew aboard and that the ship is to have a dock
 fortrial on or about November 9, 1947. ning expenses, in accordance with
 disallowance of traveling and other expenses, in accordance with
 Section 23 (3) (4) of the Internal Revenue Code.

Section 23 Captain Ash informed the agents that the vessel Frederick C. Johnson is the former Hudson River Dayliner, De Witt Clinton, which the government took over during the war. Approximately \$1,500,000.00 was spent on the vessel for repairs before it was used in Caribbean waters for the transportation of officers. Captain Ash believes that the price paid by Mr. Derecktor for a ship in such excellent condition was ridiculously low. The asking price for the ship is \$350,000.00. Correspondence from four prospective foreign buyers was seen by the agents. Photostats of the above correspondence is to be forwarded to these agents from Captain Ash. Among the prospective purchasers is the Moller United Kingdom Line, 52 Broadway, New York, N. Y., a Chinese-British interest, whom Captain Ash hopes will be the ultimate buyers for the reasons listed below.

Internal Revenue Agent

It is Captain Ash's belief that any and all delays which he has encountered in attempting to change the ship's registry can be traced to the belief of the British Foreign Office that the ship is to be used as a refugee transport and that any and all United States government agencies are investigating him and his associates because of the British pressure. (F.B.I., agents visited Captain Ash on Friday, October 31, 1947, in reference to the ships mentioned above.)

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He further stated that because of the unfairness in which the matter is being handled in reference to the sailing of the Frederick C. Johnson, he, Captain Ash advised Mr. Derecktor to acquaint the newspapers with the facts of the case, in the hope that the resultant publicity would counterbalance the British pressure. He further believes that Mr. Derecktor is unjustly embarrassed merely because of the fact that he, Captain Ash, was associated with the Weston Trading Corporation, which handled the S. S. Northland and the S. S. Warfield, two refugee ships intercepted by the British.

He further states in this latter connection that he had no knowledge that the ships were to be used as refugee transports and has no reason to believe that Weston Trading Corporation had any connection in the ships' ultimate use.

An investigation of the income tax return of the Chinese American Industrial Company Inc., 500 Fifth Avenue, New York, N. Y., for the fiscal year ended May 31, 1947 (corporations first return) and the income tax returns of Captain William C. Ash, 168-11 Eighty Fourth Avenue, Jamaica, N. Y., for the years 1944 and 1945, revealed no material change in the tax liability, and it is recommended that the returns be accepted as filed.

An examination of the tax returns of Samuel Derecktor, 95 Lord Kitchener Road, New Rochelle, New York, reveals a change in tax liability for the years 1945 and 1946, approximating \$750.00, due chiefly to the disallowance of traveling and entertaining expenses, in accordance with Section 23 a(1) (A) of the Internal Revenue Code.

Abner Annis
Internal Revenue Agent

Louis J. Porto
Internal Revenue Agent

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