FORM DC 00016-A-R1

DANA CORPORATION

INTRA-COMPANY COMMUNICATION

SUBJECT

DATE February 8, 1968

TO Memo for Victor Federal Income Tax File

On Wednesday, February 7, Chuck Elliott, Price Waterhouse & Co. tax manager, and the writer attended the Victor Chicago offices to review the draft of the Federal income tax return for the fiscal year ended August 31, 1967.

The previous day I had asked Mr. Elliott by phone to verify information that I had obtained from a published tax paper to the effect that recapture of depreciation on Section 1245 (personal) and Section 1250 (real) depreciable property was limited to the fair market value of such property. In our original computation which was made under Price Waterhouse supervision the recapture on such property amounted to about $150,000 in excess of the fair market value which would result in the payment of $75,000 more tax on depreciation recaptured than necessary.

Mr. Elliott informed us in Chicago yesterday that we were correct in our understanding and that we should adjust our tax return accordingly. After reviewing our work sheets and IBM tabulations on the spread of fair market value over each asset item, Mr. Elliott stated that in his opinion we did not need to pay recapture tax resulting from any items that were fully depreciated as of January 1, 1963 (the recapture provisions apply to depreciation during taxable years beginning after December 31, 1962). We estimated that as there was a good possibility of this being correct and accepted by IRS we would further reduce the recapture tax by some $300,000.

Inasmuch as it will take several days to compute the correct recapture tax on the new basis, it was decided to reduce the final tax payment due February 15, 1968, from $700,000 to $200,000 and request an additional 90 days extension. A draft of the extension letter is being furnished to Messrs. Gustafson and Zamecnik today.

After the Victor tax return has been corrected for the aforementioned and certain other matters suggested by Mr. Elliott, Mr. Zamecnik will bring the typed return together with the supporting work papers, including all IBM tabulations used in determining the appraised value and adjusted recapture depreciation, to Toledo where they will be reviewed by ourselves and Mr. Elliott prior to filing. Mr. Zamecnik will call me when this work has been completed and I will arrange for Mr. Elliott to come to Toledo.

Mr. Zamecnik was also requested to review the certified audit reports and Schedule "M" adjustments of parent co., all the way back to the formation of the company, in order to ascertain whether any items have been written off to P & L or surpluses which have not been taken for Federal income tax purposes which might be deductible on liquidation of the company. Mr. Zamecnik will also make pictures of any pages from such documents which may be of interest in this