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August 7, 1952

Dear Brayton:

In order that you may be informed I am sending along herewith:

A. The original "Memorandum of Understanding" sent to Valentine in January. (Tab A) Believe you will agree that this is sound and provides all necessary flexibility for CPA. It certainly does not hamstring CPA by a lot of bureaucratic controls in spite of what you may hear to the contrary.

You have a copy of the draft of the new "Memorandum of Understanding" which while considerably longer does not significantly change the previous ground rules. It does, however, define more specifically the responsibilities of both CPA and sponsor.

B. A copy of a letter which Valentine sent to A&D in February 1952. (Tab B) The action which we have taken on Valentine's six basic requests summarized at the end of this letter are as follows:

1. "Recruitment" -- We assigned four recruiters full time for several weeks to develop candidates for overseas jobs. Over 200 interested candidates were located. You have biographic sketches of typical candidates. To date we believe that only Mallory and Grover have been hired. There was considerable delay by CPA in contacting most of the candidates. Some were not followed up at all. Many by now have doubtless lost interest because of failure to follow up.

2. "Salaries and allowances" -- Sponsor has approved overseas salaries and allowances which are at least 50 per cent higher on the average than arrangements for sponsor's other people going overseas under commercial "cover". We are under continuous pressure to justify these higher allowances for CPA. As a matter of fact we think they may be too high.

3. "Speed up security clearances" -- We have had the following arrangements approved since February. CPA can hire people on a "non-witting" basis after a central check of our files which may be done in a matter of a few hours over a direct telephone line which CPA has with our people. We also have an arrangement under which a full investigation is completed in six weeks on "witting" personnel.

This is roughly half the time required for such investigations with respect to all other of our activities. We should like to emphasize that CPA can hire and use personnel on a non-witting basis.

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awaiting the results of a full investigation. Practically all persons can be initially hired on a "non-witting" basis. We think that Valentine can not seriously complain about this arrangement.

4. "Be prepared for mistakes but do not slow us down" -- Our only comment on this is, there have been many mistakes but no speed and little progress.

5. "Be prepared for a great expansion of budget for 1952-53" -- As you know we have approved a budget of 3 1/2 times that of last year, and if radio expansion is approved there is an additional 5 million dollars ear-marked for same. That could result in a budget approval of over six times that of last year.

6. "Be prepared for the occasional appearance of waste because of speed" -- Our only comment on this is, we are prepared for the occasional appearance of waste provided CFA moves toward the concept on which it was predicated.

The only other major point on which Valentine asked for assistance is the approval of additional space so that all of CFA could get together under one roof in San Francisco. As you know this has been approved and offices are being prepared for many more people than we believe CFA requires in San Francisco.

C. A summary of the policy guidance which we have furnished to CFA (Tab C)

D. Copy of a telegram to CFA giving our views on the 1953 Operating Plan and Budget prior to its final review here in May. (Tab D)

E. On the other side of the ledger I suggest you read carefully the monthly report of CFA covering its progress up to the end of July 1952 and measure the actual progress reported therein against the \$2,520,000 which sponsor has sent to CFA to date of which about \$2,000,000 has been transferred during Valentine's administration. A comparison of activities as of December 1951 and July 1952 is attached as Tab E.

I have a feeling that you would have serious reservations about the future of any business under management which has not only alienated many of its employees but has lost the confidence of its principal stock holders and has not succeeded in doing much more than was under way eight months ago. I believe you would have serious reservations about the ability of any business under such leadership to compete with some very tough opposition which is very well entrenched and which is well on its way to taking over practically all the markets in the area where it is doing business.

Sincerely,