

**The original documents are located in Box 26, folder “Nuclear Safeguards - NUMEC Case” of the John Marsh Files at the Gerald R. Ford Presidential Library.**

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## NATIONAL ARCHIVES AND RECORDS SERVICE

## WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
1	<u>Inventory</u>		
<del>1a</del> list	<del>Inventory - CIA/NUMEC (1 p.)</del> <i>Declassified 5/31/89 KBH</i>	<del>Undated</del>	<del>A</del>
<del>1b</del> Memo	<del>Richard Helms to the Attorney General (1 p.)</del> <i>Declassified 2/5/91 KCBH</i>	<del>4/2/68</del>	<del>A</del>
1c	Richard Helms to Ramsay Clark (2 pp.) <b>EXEMPTED</b> 3/4/08, 3/30/10	4/2/68	A
1d	J. Edgar Hoover to Richard Helms (2 pp.) <b>REDACTED</b> 10/22/08 <i>portions exempted 12/2/86</i>	9/3/69	A
1e	Richard Helms to the President (3 pp.) <b>EXEMPTED</b> 3/4/08, 3/20/10, 5/12/10, 2/22/12	9/8/69	A
1f	Deputy Director for Science and Technology to Director of Central Intelligence (3 pp.) <b>EXEMPTED</b> 3/4/08; 3/30/10	3/11/76	A
<del>1g</del>	<del>Memo to the Record (7 pp.)</del> <b>EXEMPTED</b> 3/4/08	<del>3/9/72</del>	<del>A</del>
2	<u>Levi to President. 4/22/76</u>		
2a	FBI report re NUMEC (4 pp.) <b>REDACTED</b> 10/22/08 <i>portions exempted 12/2/86</i>	4/22/76	A
<del>3</del>	<del>Jack Marsh to Philip Buchen et al (1 p.)</del> <i>declassified 5/31/89 KBH</i>	<del>4/30/76</del>	<del>A</del>
<del>4</del>	<del>John Marsh to Jack Watson (2 pp.)</del> <i>Declassified 5/31/89 KBH</i>	<del>2/8/77</del>	<del>A</del>

## FILE LOCATION

Marsh Files  
General Subject File  
Nuclear Safeguards - NUMEC case

Box 26

## RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.  
(B) Closed by statute or by the agency which originated the document.  
(C) Closed in accordance with restrictions contained in the donor's deed of gift.

WHM 1/22/86

75  
June 7, 1976

MEMORANDUM FOR: ED LEVI

FROM: JACK MARSH

Ed, did you see the story involving Mrs. Srouji's allegations, appearing in the Washington Post yesterday, on the missing nuclear materials, which she says will be the subject of her forthcoming book?

JOM/dl



NUMEC

June 7, 1976

**MEMORANDUM FOR: BRENT SCOWCROFT  
JIM CONNOR  
BILL HYLAND  
MIKE DUVAL**

**FROM: JACK MARSH**

In the Sunday edition of the Washington Post, there is a story that Mrs. Sreaji, the individual who is a part of the controversial case involving the FBI and the NSC, alleges there has been a great diversion and loss of different materials, a loss sufficient enough to establish a black market. She says this will be the subject of her forthcoming book.

I wanted you to be aware of this.

JOM/dl



INVENTORY -- CIA/NUMEC

1. Helms 2-page memo to Attorney General Clark (with transmittal cover)  
Dated -- April 2, 1968
  
2. Photostat of 2-page letter from J. Edgar Hoover to Helms  
Dated -- September 3, 1969
  
3. Helms 3-page letter to the President  
Dated -- September 8, 1969
  
4. Internal 3-page memo from Carl Duckett to DCI  
Dated -- March 11, 1976  
with a Memorandum for the Record, 7-pages (attached)  
Dated -- March 9, 1972

DECLASSIFIED

E.O. 12356, Sec. 3.2 (c)

MR 87-2 #3 CIA Ltr. 1/25/89  
By KBH Date 5/18/89



MEMORANDUM FOR: The Attorney General

Since the subject matter of this letter is so sensitive for obvious reasons, I would appreciate if you would return it to me when you have taken whatever action you feel appropriate.

OFFICE OF THE ATTORNEY GENERAL  
RECEIVED  
*Dick*  
Richard Helms  
Attachment - APR 2 1968  
ATTORNEY GENERAL

2 April 1968  
(DATE)

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10-54 101 REPLACES FORM 10-101 WHICH MAY BE USED.

(47)

DECLASSIFIED  
E.O. 12356, Sec. 3.4.

MR 87-3, # 4, CIA Mr. 1/2/91  
By KBH, NARA, Date 2/5/91



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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D. C. 20505

OFFICE OF THE DIRECTOR

16



2 APR 1968

DECLASSIFIED UNDER AUTHORITY OF THE  
INTERAGENCY SECURITY CLASSIFICATION APPEALS PANEL,  
E.O. 13526, SECTION 5.3(b)(3)  
ISCAP APPEAL NO. 2013-062, document no. 1  
DECLASSIFICATION DATE: March 18, 2014

The Honorable Ramsey Clark  
The Attorney General  
Washington, D. C.

Dear Ramsey,

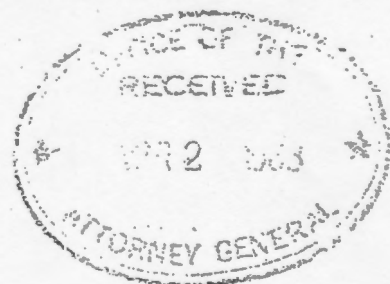
You are well aware of the great concern which exists at the highest levels of this Government with regard to the proliferation of nuclear weapons. With the expanding use of nuclear energy for power and the greater civilian involvement with nuclear material there is a real danger that clandestine traffic in these materials might occur.

In this connection I would like to bring the following matter to your attention. The Nuclear Materials and Equipment Corporation of Apollo, Pennsylvania, is one of the principal processors of nuclear materials such as plutonium and U 235 which if diverted could be used for weapons. Although NUMEC made periodic physical inventories and the United States Atomic Energy Commission performed a number of accountability surveys, a significant quantity of enriched U 235, possibly representing a cumulative loss over a period of years, could not be accounted for in the spring of 1965. These losses came to light in the closing out of a large contract. Because of the condition of NUMEC's records and the nature of the operation, the specific disposition of this material could not be identified. At that time the AEC reported that although it could not be stated with certainty that a diversion of this material had not taken place, no evidence had been found to support the possibility of diversion and that other information did exist to reduce such a possibility.

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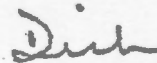
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It is critical for us to establish whether or not the Israelis now have the capability of fabricating nuclear weapons which might be employed in the Near East. Furthermore, introduction by Israel of such weapons into their arsenal would undoubtedly affect the Non-Proliferation Treaty which has been placed before the United Nations by the United States and the USSR.

Given the aforementioned circumstances, I urge that the Federal Bureau of Investigation be called upon to initiate a discreet intelligence investigation of an all source nature of Dr. Shapiro in order to establish the nature and extent of his relationship with the Government of Israel.

Sincerely,



Richard Helms



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~~SECRET~~  
UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

WASHINGTON, D.C. 20535

69-4430

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DECLASSIFIED UNDER AUTHORITY OF THE  
INTERAGENCY SECURITY CLASSIFICATION APPEALS PANEL,  
E.O. 13526, SECTION 5.3(b)(3)

ISCAP APPEAL NO. 2013-062, document no. 2  
DECLASSIFICATION DATE: March 18, 2014

September 3, 1969

BY LIAISON

Honorable Richard Helms  
Director  
Central Intelligence Agency  
Washington, D. C.

Dear Mr. Helms:

As you are aware, this Bureau has been conducting an investigation of Dr. Zalman Mordecai Shapiro, head of the nuclear processing firm, NUMEC, Apollo, Pennsylvania, since May, 1968. Copies of reports covering our inquiries, including a summary report prepared by our Pittsburgh Office under date of February 18, 1969, have been furnished to your Agency on a continuing basis.

Shapiro was interviewed by representatives of the Atomic Energy Commission (AEC) on August 14, 1969, concerning his relationship with Israeli officials. On the basis of information developed during this interview, particularly Shapiro's statement that throughout his associations with Israeli officials he has never been asked to furnish classified information, has never furnished, and would not, if asked to, furnish such information to unauthorized persons, the AEC has advised that it does not contemplate further action in this matter at this time.

We have conducted a thorough and extended investigation of Shapiro for more than a year, including substantial

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Group 1

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downgrading and  
declassification



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Honorable Richard Helms

physical surveillance coverage. We have developed information clearly pointing to Shapiro's pronounced pro-Israeli sympathies and close contacts with Israeli officials, [redacted]

[redacted] It is believed most unlikely that further investigation will develop any stronger facts in connection with the subject's association with Israeli officials. The basis of the security risk posed by the subject lies in his continuing access to sensitive information and material and it is believed the only effective way to counter this risk would be to preclude Shapiro from such access, specifically by terminating his classified contracts and lifting his security clearances. However, after careful consideration, including an interview with Shapiro, AEC has advised that it plans no further action at this time.

Under these circumstances, we are discontinuing our active investigation of the subject. We will, of course, continue to keep interested agencies advised of any pertinent information concerning the subject which may be received from our sources.

Sincerely yours,

*J. Edgar Hoover*

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This form marks the file location of item number 1e-1g  
listed on the pink Withdrawal Sheet found at the front of this folder.

DECLASSIFIED UNDER AUTHORITY OF THE  
INTERAGENCY SECURITY CLASSIFICATION APPEALS PANEL,  
E.O. 13526, SECTION 5.3(b)(3)

ISCAP APPEAL NO. 2013-062, document no. 3  
DECLASSIFICATION DATE: March 18, 2014

11 MAR 1976

DDS&T-1290/76

Withheld under statutory authority of the  
Central Intelligence Agency Act of 1949 (50  
U.S.C., section 403g)

DCI read

MEMORANDUM FOR: Director of Central Intelligence

FROM : Carl E. Duckett  
Deputy Director for Science and Technology

SUBJECT : Nuclear Materials and Equipment  
Corporation (NUMEC)

1. The attached memorandum dated 9 March 1972 summarizes the NUMEC case. It was written by [redacted] who originated CIA action on this case and who is available to answer any further questions you may have.

2. Since the Agency was looking at this case from the point of view of obtaining information on the nuclear intelligence capability of a foreign government we did not make a concentrated effort to follow this case from the standpoint of its domestic implications subsequent to the time of the attached memorandum.

3. It is our understanding that Mr. Helms brought the intelligence aspects of this case to the attention of Presidents Johnson and Nixon as well as Attorney General Clark, Director of the FBI, Mr. Hoover, Secretaries of State Rusk and Rogers, Deputy Secretary of Defense Rush, General Manager of the AEC Brown, the Joint Committee on Atomic Energy, and the Special Assistant for National Security Affairs, Mr. Kissinger.

4. The matter was again brought up recently in your discussions with The Joint Committee on Atomic Energy. The DDS&T also briefed the Commissioners of The Nuclear Regulatory Commission on NUMEC. The ADD/S&T and [redacted] also discussed the matter at some length with Mr. Murphy, Staff Director of The Joint Committee, on 5 March 1976.



Withheld under statutory authority of the  
Central Intelligence Agency Act of 1949 (50  
U.S.C., section 403g)

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CL BY 170374

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SUBJECT: Nuclear Materials and Equipment Corporation (NUMEC)

5. The following information outlines Agency efforts to persuade the FBI to undertake an investigation of Shapiro and NUMEC and to keep track of its activities in this regard.

a. On 2 April 1968 Mr. Helms sent a letter to the Attorney General urging that the FBI initiate a discreet intelligence investigation of Dr. Shapiro. Mr. Hoover had suggested this course of action.

b. On 23 April 1968 the Attorney General called Mr. Helms to say that he had directed the FBI to investigate.

c. On 3 September 1969 Mr. Hoover sent Mr. Helms a letter stating that the AEC doesn't contemplate any further action on the case at that time. Mr. Hoover said that the Director of Security, AEC, had asked Shapiro whether he had passed classified information to any foreign government. Shapiro replied that he had not. Apparently no mention was made of the passage of nuclear material to a foreign government. Mr. Hoover further stated that the FBI was discontinuing any further active investigation of the case.

d. On 13 October 1969 Mr. Helms sent a memorandum to Hoover, FBI, urging him to conduct audio surveillance of Shapiro since it appeared that Shapiro planned to emigrate to Israel.

e. On 17 October 1969 Mr. Hoover sent a memorandum to Mr. Helms stating that he had reviewed the Shapiro matter and Mr. Helms should take the matter up with the Attorney General. This was not done.

f. On 4 October 1970 the CIA asked the FBI if they had any further information on Shapiro's activities. On 3 February 1971 the FBI sent a response to CIA based on the 1970 request. One FBI report was received from the October 1970 request that was germane to the problem. The report indicated Shapiro had requested from an official of the Kawecki Berylco Company to be brought up to date on a sensitive AEC project two weeks after he joined the company. There was no further FBI reporting on the case after that.



SUBJECT: Nuclear materials and Equipment  
Corporation (NUMEC)

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7. Our files in the NUMEC case consist for the most part of data received from the AEC and the FBI. A number of FBI reports were received and we presume these reports included all the substantive data collected by the FBI through February 1971 though we have no assurance of that fact. The AEC information consists of only a few documents on the results of their investigation of the NUMEC case. No investigative reports are in our file.

  
Carl E. Duckett

Attachment:  
As stated

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Central Intelligence Agency Act of 1949 (50  
U.S.C., section 403g)



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9 March 1972

MEMORANDUM FOR THE RECORD

SUBJECT: Possible Diversion of Weapons Grade Nuclear  
Materials to Israel by Officials of the Nuclear  
Materials and Equipment Corporation (NUMEC)

1. From 1947 until the Atomic Energy Act of 1954 all special nuclear material was owned by the United States Government and with certain exceptions was held by the AEC and its cost type contractors operating Government owned and/or controlled facilities. The Act of 1954 was designed to widen participation in the use of atomic energy. While the material was still owned by the U.S., it was more widely held by Government contractors and by licensees who were not Government contractors. Legislation in 1964 made private ownership of special nuclear material permissible. The 1954 Act authorized the AEC to regulate the use of these materials and to guard against loss or diversion. In setting up regulations to enforce the control of material, the Commission concluded that the physical protection and accountability controls which licensees as prudent businessmen would maintain over special nuclear material because of its intrinsic value and their responsibility for its loss or damage and the severe criminal penalties provided by AEC's governing legislation would adequately protect the national interest from the standpoint of unlawful diversion. In 1955 a policy was adopted along these lines by the AEC. In May 1966, the AEC concluded that a change toward tighter controls was in order and the Commission amended their regulations on 25 January 1967.

2. In 1957 Dr. Zalman Mordechai Shapiro left Westinghouse and established a firm called Nuclear Materials and Equipment Corporation (NUMEC) in Apollo, Pennsylvania. Instrumental in the financing of the new firm was a Pittsburgh industrialist named David L. Lowenthal, a long-time, close, personal friend of Shapiro.

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3. NUMEC owned and operated a uranium processing facility at Apollo, Pennsylvania. It first received material under lease arrangement in December 1957 and received its first material as an AEC contractor in December 1957. From the start up through 31 December 1966 NUMEC received 21,750 kg of U 235 and shipped 19,865 kg U 235 reporting losses of about 260 kg or about 1.2% of total receipts. Starting about 1960 the AEC began a continuing, but in the opinion of the Comptroller General of the United States ineffective, campaign to get NUMEC to implement adequate control of the material in its plant. This matter came to a head in November 1965 when the AEC made a detailed survey to determine total losses since start up and to attempt to explain the "unexpectedly" high U 235 loss on the WANL contract (Westinghouse). The survey established the loss from 1957 until 31 October 1965 as 178 kg U 235. Of this total, 84.2 kg was estimated by the survey team to have been lost through known loss mechanisms (NOL) and the remaining amount of 93.8 kg was categorized as MUF. MUF is defined as usually the result of uncertainties in measurements, unknown losses and undetected errors in records. In 1964, a fire occurred in the vault containing nuclear materials at NUMEC, which effectively destroyed records of the input and output of material. The fire occurred during a strike when the plant was shut down. The AEC report on the November 1965 survey presented the view that while it could not be stated with certainty that diversion did not take place, the survey team found no evidence to support the possibility of diversion. The Comptroller General found that because of the condition of NUMEC's records, they were unable to state an opinion on the disposition of the MUF but had no reason to question the AEC conclusion with regard to diversion. The Comptroller had been asked to investigate this situation by an alarmed Joint Committee of the Congress on Atomic Energy on 7 September 1966. The Comptroller General's report to the Congress stated: "Notwithstanding extensive reviews of NUMEC's operations neither the AEC nor NUMEC have been able to identify with a high degree of certainty the specific causes of WANL material loss."





4. During the period August 1958 to October 1965, NUMEC shipped some 425 kg of U-235 overseas to various parts of the world under some 28 different contracts. The AEC report states the following: "Quantities in individual shipments, domestic as well as foreign, are not confirmed independently by the AEC. Such actions have been outside the scope of the present AEC system of control of nuclear material. Instead, reliance has been placed on a technical review of the shipper's internal controls and independently developed receiver's data. The validity of this approach is of course largely dependent on the integrity of the shipper and the receiver."

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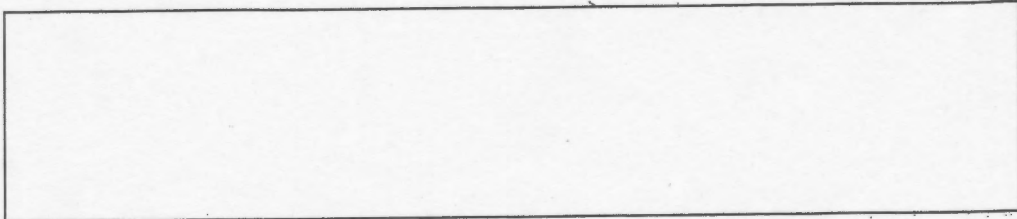


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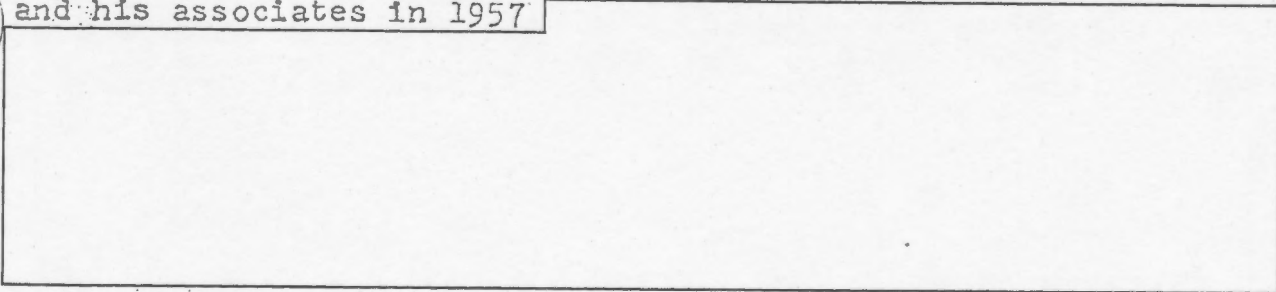
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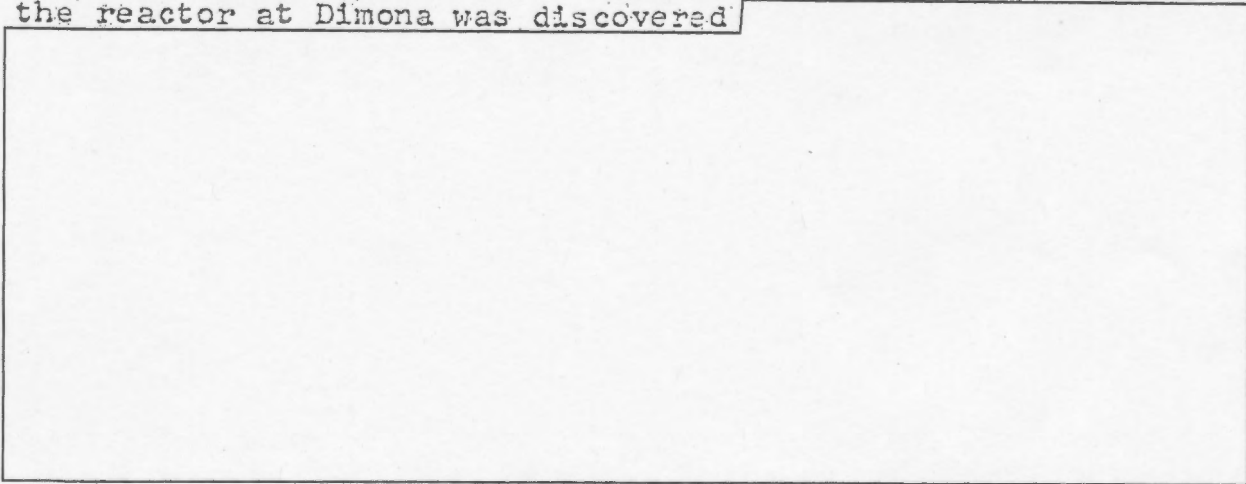
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6. On the basis of the foregoing it must be assumed for the purpose of U.S. national security that diversion of special nuclear materials to Israel by Dr. Shapiro and his associates is a distinct possibility. Such a diversion might be evolutionary or revolutionary. NUMEC was formed by Dr. Shapiro and his associates in 1957



7. On the other hand, it is possible that the idea of diversion didn't occur until much later when the existence of the reactor at Dimona was discovered



8.



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[redacted] It is interesting in this connection to quote from the AEC investigation of 1966 when the AEC team requested NUMEC production control and process engineering records on the WANL and other contracts: "All efforts in this direction were negated when it was learned that many of the requested records had been inadvertently destroyed by supervisory personnel during a 'clean-up' campaign at the time of an employee strike, January 1 to February 25, 1964." (This was in addition to the fire mentioned in paragraph 3 above.)

9. To the best of our knowledge, the strike which gave supervisory personnel free run of the facility pinpoints the time at which the material could have been most easily diverted to Israel and the time at which evidence of such a diversion could best be covered up. Given the state of affairs at NUMEC from 1957 on, a diversion could have occurred at any time, but the period January - February 1964 is certainly the most suspect. With regard to the material itself, it could have been shipped in less than critical lots of say twenty pounds per lot. Lead coated or nickel plated, it would present no radiation hazard and could have easily gone by diplomatic pouch or Israeli merchant ship or even El Al Airlines. Transportation of diverted material to Israel would have been a simple matter.

10. In September 1969 CIA was informed by the FBI that Shapiro had been interviewed by AEC officials on 14 August 1969. On the basis of information developed during the interview, particularly Shapiro's statement that he had never furnished classified information to unauthorized persons, the AEC has advised that it does not contemplate further action on this matter. The FBI informed CIA that while they had developed information clearly pointing to Shapiro's pronounced pro-Israeli sympathies and close contacts with Israeli officials [redacted]

the FBI believed that further investigation would be unlikely to produce any facts leading to conviction and therefore were terminating their active investigation. It should be noted that the AEC meeting with Shapiro was not coordinated with CIA although the AEC was well aware of CIA's interest in the affair. CIA attempts to persuade the FBI to continue the

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of the Federal Bureau of  
Investigation-  
FOIA 5 USC §552(b)(7)(C)

investigation proved fruitless.

11. In June 1970 Shapiro resigned from NUMEC and took a position as Vice President for Research and Development with Kawecki Beryleo Company in Temple, Pa. [REDACTED]

In July 1971

Shapiro left Kawecki Beryleo and took a position as executive assistant to Westinghouse breeder reactor divisions' general manager. To quote Nucleonics Week of 8 July 1971, "At Westinghouse he'll be giving guidance and advice on the Fast Flux Test Facility project and breeders, with special concentration on fuel."

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JOHN D. DINGELL, MICH.  
CHAIRMAN

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HERMAN DADILLO, N.Y.  
FLOYD J. FITHIAN, IND.

United States House of Representatives  
Committee on Small Business  
Subcommittee on Energy and Environment  
Ninety-fourth Congress  
2361 Rayburn House Office Building  
Washington, D.C. 20515  
April 5, 1976

*Sub-Nuclear  
Diversification  
matter*

GILVIO O. CONTE, MASS.  
HAMILTON FISH, JR., N.Y.  
WILLIAM S. COHEN, MAINE  
C. CALDWELL BUTLER, VA.  
MICHAEL J. WARD,  
SUBCOMMITTEE COUNSEL  
202-225-4351  
PAUL E. KNITZER,  
ASSISTANT MINORITY COUNSEL  
202-225-4038

*Copies to AG,  
DAG, FBI,  
Kearney (CRM)*

Honorable Edward H. Levi  
Attorney General  
Department of Justice  
Washington, D. C. 20530

Dear Mr. Attorney General:

For over a year, the Subcommittee on Reports, Accounting and Management of the Senate Government Operations Committee and the Subcommittee on Energy and Environment of the House Small Business Committee have been participating in a joint investigation of the accuracy of the accounting methods used by government contractors in handling special nuclear materials and of the adequacy of government required safeguards for processing and protecting such materials. By mutual agreement, the Subcommittee on Energy and Environment will complete this investigation.

You are invited to appear and testify before this Subcommittee on Tuesday, April 27, 1976, in Room 2359 Rayburn House Office Building, Washington, D. C. The hearing is scheduled to begin at 10:00 a.m. and is expected to continue for the remainder of the day and may be extended into the following day, should it be necessary.

You are to prepare a written statement of whatever length you feel necessary, together with any documents you wish to include, which will be inserted in full into the hearing record. You are to submit fifty (50) copies of this material to the Subcommittee counsel in Room 2361 Rayburn House Office Building by noon, April 19, 1976. No extensions will be granted. This will provide the Members and staff time to review the material prior to the hearing so that we can dispense with the reading of the statement and proceed directly to the questioning.

In addition to any general information you wish to discuss regarding the adequacy of the Federal Bureau of Investigation and the Justice Department's investigation of the issues under



April 5, 1976

page 2

review, you are to specifically include a thorough explanation of the following matters:

1) The status of the Justice Department's investigation of the charge that the rights of union members were violated at the Cimarron facility of Kerr-McGee in Crescent, Oklahoma.

2) Your Department's conclusion and the reasons and evidence therefor of:

(a) whether foul play was involved in the death of Karen Gay Silkwood on November 13, 1974;

(b) how special nuclear materials were taken from the Cimarron facility or any other facility and by whom, and what happened to this material;

(c) how Karen Silkwood came to be contaminated and, if applicable, by whom;

(d) whether Karen Silkwood's specimens were tampered with and by whom;

(e) whether Karen Silkwood possessed documentation of health and safety violations at the Cimarron facility, and if so, what became of such documentation;

(f) Who was responsible for scattering uranium pellets around the grounds at the Cimarron facility;

(g) how Karen Silkwood's apartment came to be contaminated.

3) The independence and adequacy of the Federal Bureau of Investigation's investigation of these matters and the degree to which the Bureau relied on information supplied by Kerr-McGee and the Atomic Energy Commission.

4) The thoroughness of the Justice Department's review of the evidence supplied by the Federal Bureau of Investigation.

5) The Justice Department's refusal to allow the Subcommittees' staffs access to all documents relating to the FBI's investigation of these matters.

6) The results of any investigation of the possibility of diversion of special nuclear materials from the NUMEC plant in Apollo, Pennsylvania in the mid-1960's and from the nuclear fuel service's plant in Erwin, Tennessee.

7) The name of anyone outside the Department who discussed the Silkwood case with any Justice Department employee and the nature of such discussions.



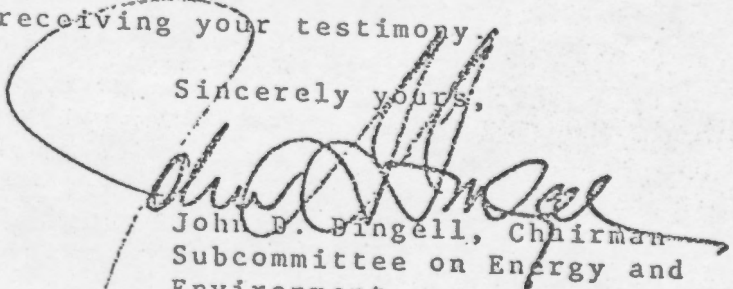
Hon. Edward H. Levi  
April 5, 1976  
page 3

You are requested to be accompanied by the following individuals: Deputy Assistant Attorneys General John Keeney and Kevin Maroney, Phil Wilens, Chief, Management and Labor Section, staff attorneys Joe Tafe and John Martin of the Statutory Unit which handled this case and appropriate officials of the Federal Bureau of Investigation, and specifically agent Larry Olsen.

Arrangements for your appearance may be made by contacting the Subcommittee counsel, Michael J. Ward, in Room 2361 Rayburn House Office Building, (202) 225-4351.

I look forward to receiving your testimony.

Sincerely yours,



John D. Dingell, Chairman  
Subcommittee on Energy and  
Environment





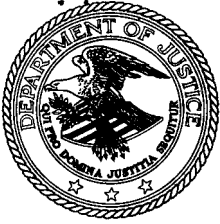
THE WHITE HOUSE  
WASHINGTON



Sent copy  
to Phil B.

4/23

gm



Office of the Attorney General  
Washington, D. C. 20530

April 22, 1976

MEMORANDUM FOR THE PRESIDENT

The purpose of this memorandum is to set forth my views on two issues -- (1) whether the jurisdiction of the Joint Atomic Energy Committee is exclusive and (2) whether the statute of limitations has run on any possible criminal offenses arising out of the discrepancy in nuclear materials at the Nuclear Materials and Equipment Company (NUMEC) -- and to attach a brief memorandum summarizing the FBI's role in this matter.

I. Jurisdiction of the Joint Atomic Energy Committee.

Section 202 of the Atomic Energy Act, 24 U.S.C. 2252, which defines the authority of the Atomic Energy Commission, provides in pertinent part:

"\* \* \* All bills, resolutions, and other matters in the Senate or the House of Representatives relating primarily to the Commission or to the development, use, or control of atomic energy shall be referred to the Joint Committee."1/

Nothing in this text indicates that this referral is exclusive, and that other Committees may not consider those matters if they also come within their jurisdiction.

During the debate of the Atomic Energy Act of 1954 on the floor of the House there was a colloquy in which Congressman Yates expressed the view that with respect to legislative proposals the jurisdiction of the Joint Committee is exclusive. 100 Cong. Rec. 11667-11668. In our view, however, this statement is insufficient to give to the text of the statute a significant feature which it does not in fact contain, particularly in light of the subsequent legislative practice.

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1/ This section is derived from section 15 of the Atomic Energy Act of 1946.

The House and Senate rules do not contain any provision which would give the Joint Committee on Atomic Energy exclusive jurisdiction. The Senate Rules merely reprint without comment the provisions of the Atomic Energy Act relating to the Joint Committee. 42 U.S.C. 2251-2257; see Senate Manual paras. 565-571. The House Rules give only a short digest of those statutory provisions. Manual and Rules of the House of Representatives, § 983a. Moreover, at least one House committee is specifically accorded jurisdiction over a matter which comes within the Joint Committee's authority as well. The House Committee on Interior and Insular Affairs is given special oversight functions "with respect to all programs affecting . . . nonmilitary nuclear energy and research and development, including the disposal of nuclear waste." Manual and Rules of the House of Representatives, § 679, 693.

A study covering the practice of the first fifteen years of the Joint Committee indicates that it repeatedly had to share jurisdiction with other committees on matters involving the development, use or control of atomic energy.<sup>2/</sup> For example, in the case of nuclear powered merchant vessels, the Joint Committee had to share jurisdiction with the Senate Committee on Commerce, and the House Committee on Merchant Marine.<sup>3/</sup> Recently, the Subcommittee on Energy and Power of the House Committee on Interstate and Foreign Commerce considered instances of alleged misuse of radioactive materials, a subject which unquestionably comes within the jurisdiction of the Joint Committee on Atomic Energy.

We conclude that it cannot plausibly be asserted that the jurisdiction of the Joint Committee is exclusive.

There are, however, other features distinguishing the Joint Committee from other committees of Congress, so that the executive branch could justify an unwillingness to furnish sensitive information to committees other than the Joint Committee. Under 42 U.S.C. 2256, the Joint Committee "may classify information originating within the Committee in accordance with standards used generally by the executive branch

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<sup>2/</sup> See Green and Rosenthal, The Joint Committee on Atomic Energy: A Study in Fusion of Governmental Power (1961), pp. 262-274.

<sup>3/</sup> Id. pp. 270-271

for classifying Restricted Data or defense information." The effect of such classification is at the very least to enable the Act's provision on the protection of Restricted Data to become applicable -- and possibly to enable the invocation of other criminal statutes as well.

Under 42 U.S.C. 2255 the Joint Committee is authorized to permit its members, employees and consultants to carry firearms while in the discharge of their official duties; and under 42 U.S.C. 2257 it is authorized to direct such security safeguards as it deems appropriate. We are advised that by virtue of these provisions the Joint Committee has an extremely secure recordkeeping system.

These special features would obviously justify Presidential willingness to provide information to this Committee which might be withheld from others.

## II. Possible Violation of Criminal Statutes.

The Federal Bureau of Investigation conducted one criminal investigation which related to NUMEC. That investigation involved a possible violation of the Foreign Agents Registration Act by the president of NUMEC for acts occurring in 1956-66. The Criminal Division advised the Bureau in September, 1966 that these acts did not constitute a violation of the Act and the investigation was closed. The five-year statute of limitations which applies to this Act has since expired.

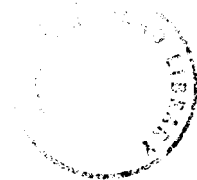
The FBI did not conduct an investigation into the alleged discrepancy in nuclear materials at NUMEC because it was advised by the AEC that any loss likely was attributable to inadequate accounting procedures and that there was no evidence or suspicion of a violation of law. Since no investigation was undertaken, the Department of Justice cannot state that there is no evidence which would support a criminal charge. The facts available with respect to this matter indicate that the following criminal statutes may be involved:

42 U.S.C. 2077 - Unauthorized dealings in special nuclear material

42 U.S.C. 2273 - Violation of Atomic Energy Act generally, or of agency regulations

42 U.S.C. 2275 - Receipt of Restricted Data

42 U.S.C. 2276 - Tampering with Restricted Data



42 U.S.C. 2277 - Disclosure of Restricted Data

18 U.S.C. 832-834 - Transportation of dangerous articles

18 U.S.C. 793-794 - Espionage: gathering or transmittal of defense information

18 U.S.C. 3 - Accessory after the fact

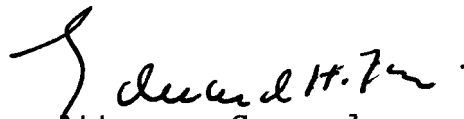
18 U.S.C. 4 - Misprision of felony

18 U.S.C. 371 - Conspiracy to commit offense

The Statute of Limitations for the above-enumerated offenses is five years (18 U.S.C. 3282) except for violation of 42 U.S.C. 2274-76, for which it is ten years (42 U.S.C. 2278). Furthermore, if concealment of the substantive offense is continuing, the statute of limitations would not bar a prosecution under 18 U.S.C. 3 (accessory after the fact), 4 (misprision of felony) and 371 (conspiracy).

Because the statute of limitations may not have run with respect to any offenses that may be involved and because of the responsibility to consider whether any dismissal or other disciplinary proceedings may be appropriate with respect to any persons presently employed as federal officials who may have participated in or concealed any offense, I believe it necessary to conduct an investigation. Section 2271 of the Atomic Energy Act provides that "the Federal Bureau of Investigation of the Department of Justice shall investigate all alleged or suspected criminal violations" of the Act.

A brief summary of the FBI's file on this matter is attached.

  
Attorney General



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~~SECRET~~  
UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

WASHINGTON, D.C. 20535

April 22, 1976

**DR. ZALMAN MORDECAI SHAPIRO  
ATOMIC ENERGY ACT**

The Federal Bureau of Investigation (FBI) has conducted two investigations of Dr. Shapiro. The first investigation was prompted by the Atomic Energy Commission (AEC) advising this Bureau in 1965 that the Nuclear Materials Equipment Corporation (NUMEC), an AEC subcontractor in Apollo, Pennsylvania, was negotiating with the Government of Israel to establish a joint company in Israel to be known as Israeli NUMEC Isotopes and Radiation Enterprises (ISORAD), Limited. The firm was to engage in the irradiation of citrus fruit. A Foreign Agents Registration Act investigation was initiated to determine if Shapiro was acting as an agent of the Israeli Government in the United States. During the course of this investigation, Shapiro was interviewed. He claimed his close relationship with the Israeli Government was strictly a business matter.

The results of this investigation were furnished to the Justice Department. In September, 1966, the Justice Department advised that the activities of Shapiro and NUMEC did not fall under the purview of the Foreign Agents Registration Act.

In February, 1966, the AEC advised there were indications that NUMEC was lax in the management of nuclear materials. Since April, 1957, AEC had made extensive internal technical checks at NUMEC and had reported the situation to the Joint Committee on Atomic Energy (JCAE). The Joint Committee was told by AEC on February 14, 1966, that in the absence of evidence or suspicion of a violation of the law, AEC had determined that inquiry by the FBI was not then warranted.

~~SECRET~~

Classified by 5019  
Exempt from GDS, Category 3  
Date of Declassification Indefinite

NATIONAL SECURITY INFORMATION  
Unauthorized Disclosure  
Subject to Criminal Sanctions



DECLASSIFIED • E.O. 12958 SEC. 1.6  
WITH PORTIONS EXEMPTED

E.O. 12958 SEC. 1.5  
CIA-JCW 11/14/08, FBI-DCI a1f105; date: JCB  
10/22/08  
Mn 07-105 a4. DOE JCN 12/21/07

BY dal NARA DATE 3/5/09

~~SECRET~~

Dr. Zalman Mordecai Shapiro

According to AEC, NUMEC received 1,012 kilograms of uranium-235 from AEC to process into fuel elements for nuclear reactors for space propulsion. This subcontract was completed on October, 31, 1964. In April, 1965, an AEC inventory indicated a loss, fixed by a later AEC check in November, 1965, at 61 kilograms valued at \$764,000. In addition, a survey of the plant's operations since 1957 revealed that NUMEC had experienced a total cumulative loss on all AEC subcontracts of 178 kilograms, all but 61 of which AEC considered properly accounted for by normal processing losses. AEC was unable to say unequivocally that theft or diversion of the 61 kilograms had not taken place, but AEC believed that NUMEC consistently underestimated its processing losses and that the loss of the 61 kilograms charged to the latest subcontract actually reported an accumulation of losses over an 8-year period. AEC pointed out, however, that because the NUMEC records system was not then so set up, no determination could be made as to when the various losses occurred or whether material provided for the latest subcontract was used, knowingly or inadvertently, to offset losses on other contracts.

AEC advised that there would be no financial loss to the Government as NUMEC had agreed to pay for the 61 kilograms. In addition, NUMEC had developed a better system for controlling nuclear materials and an improvement was also expected due to NUMEC's hiring of a former AEC official. AEC advised, however, that prior to making more penetrating checks into NUMEC's operations, it was felt the FBI should be consulted to determine whether the FBI desired to assume investigation of the matter.

The FBI advised AEC on March 1, 1966, that the FBI had given full consideration to this matter and that under the circumstances presented by AEC, the FBI did not intend to assume any investigative responsibility; however, it was requested that AEC advise the FBI of any further developments coming to its attention concerning this matter which would indicate there had been a violation within FBI jurisdiction.

~~SECRET~~







~~SECRET/EYES ONLY~~

DECLASSIFIED  
E.O. 12356, Sec. 34(b)

CIA Dir. 1/25/89 MR87-5 # 11

BY KBH Date 5/18/89

April 30, 1976

MEMORANDUM FOR:

PHIL BUCHEN  
GEORGE BUSH  
FRED IKLE  
ED LEVI  
BRENT SCOWCROFT

FROM:

JACK MARSH

Charlie Leppert, Director of White House Legislative Affairs for the House, talked with John Dingell on his pending hearings. In that conversation it became apparent that Dingell is aware of the losses and told Leppert they were in effect diversions of nuclear materials to a foreign power. Dingell indicated he thought the diversions were to China, and he intends to pursue his investigation vigorously and thoroughly until the whole subject is developed.

He is of the view there is information in the Bureau that will disclose what occurred, and he expects to persist in his demands on the FBI for full disclosure.

~~SECRET/EYES ONLY~~

JOM/dl



MEMORANDUM

ACTION - 2885

AH  
PC  
W

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

May 17, 1976

MEMORANDUM FOR: BRENT SCOWCROFT ✓  
FROM: DAVID ELLIOTT D.E.  
SUBJECT: Report on Safeguards

As you recall, following a meeting in your office with Rowden, Fri, Marsh, Connor, Etc., it was agreed that the NRC would take the lead in preparing a short paper for the President outlining those remedial steps that had been taken since the NUMEC incident. The paper would conclude with an assessment of the invulnerability of U.S. domestic nuclear safeguards. It was agreed that the study would be submitted on May 17th, which coincided with the completion of an internal NRC study on the adequacy of safeguards and recommendations for further measures.

The report for the President has been completed and, among other things, references the follow-on actions that are recommended in the internal NRC study. The NRC Commissioners, however, do not want to forward the report to the President until they have had a chance to review and approve the content of the program that is recommended in their internal study. The Commission has therefore requested either that they be given two to three more weeks before submitting the report to the President, or, alternatively, that they provide it to us as a non-paper without attribution to the Commission or commitment to all of the future measures mentioned in the paper.

I am not sure of how acute your timing problem is, and would like your guidance on which of these approaches is preferable from your viewpoint and that of Connor and Marsh.

~~CONFIDENTIAL~~/GDS

DRO, 1/15/86



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Washington Post  
Sunday, June 6, 1976

## Nuclear Black Market Feared by Journalist

NASHVILLE, June 5 (AP)

— A journalist fired last month for alleged FBI connections has said she has in-

“This would lead me to believe the possibility of nuclear gunrunners dealing in black market plutonium,” said Sroufi, who was fired

February 8, 1977

CIA Ltr. 1/25/89 MR 87-5 #12  
By KBH Date 5/0/89

Dear Jack:

You will recall our discussing the NUMEC matter and my showing you several classified documents on this subject.

I believe it would be helpful for you to have a set of these documents and one is attached. Included in this file are:

- Helms two-page memo to the Attorney General (Clark) (with transmittal cover) dated April 2, 1968;
- Photostat of two-page letter from J. Edgar Hoover to Helms, dated September 3, 1969;
- Helms three-page letter to the President, dated September 8, 1969;
- Internal three-page memo from Carl Duckett to DCI, dated March 21, 1976 with a Memorandum for the Record, seven pages, dated March 9, 1972.

It is my understanding that Phil Buchen and Ed Schmults discussed this with Bob Lipshutz and, therefore, you may wish to pursue this with him.



SECRET/SENSITIVE

-2-

Additionally, in the Spring of 1976, the NSC prepared a report for the President on safe-guarding materials. Whether it was completed and sent into him I am not certain.

Also, I have sent you a copy of a short memo from me to certain other members of our staff concerning the Dingell hearings which we thought might address the NUMEC matter.

Finally, in the closing days of the Transition, I mentioned to you the Srouji case. The Srouji case is a rather controversial matter involving the FBI. I have attached a copy of a news clipping from the Washington Post on this individual.

With kindest personal regards, I am

Sincerely,

John O. Marsh, Jr.

The Honorable Jack H. Watson  
The White House  
Washington, D. C. 20500

SECRET/SENSITIVE

JOM/dl

