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**FINANCIAL OR BUSINESS INTERESTS OF OFFICERS
OR EMPLOYEES OF THE SENATE**

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**HEARINGS
BEFORE THE
COMMITTEE ON
RULES AND ADMINISTRATION
UNITED STATES SENATE**

**EIGHTY-EIGHTH CONGRESS
FIRST AND SECOND SESSIONS**

PURSUANT TO

S. Res. 212 and S. Res. 291

**RESOLUTIONS AUTHORIZING AN INVESTIGATION INTO THE
FINANCIAL OR BUSINESS INTERESTS OF ANY OFFICER OR
EMPLOYEE OR FORMER OFFICER OR EMPLOYEE OF THE
SENATE**

FEBRUARY 20 AND 24, 1964

PART 13

**Testimony of Jose A. Benitez, Lorin Drennan, William F.
Collins, William R. Armstrong, Donald L. Donegan, and
Kenneth J. Sabella**

Printed for the use of the
Committee on Rules and Administration



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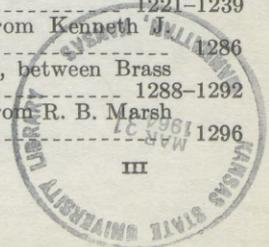


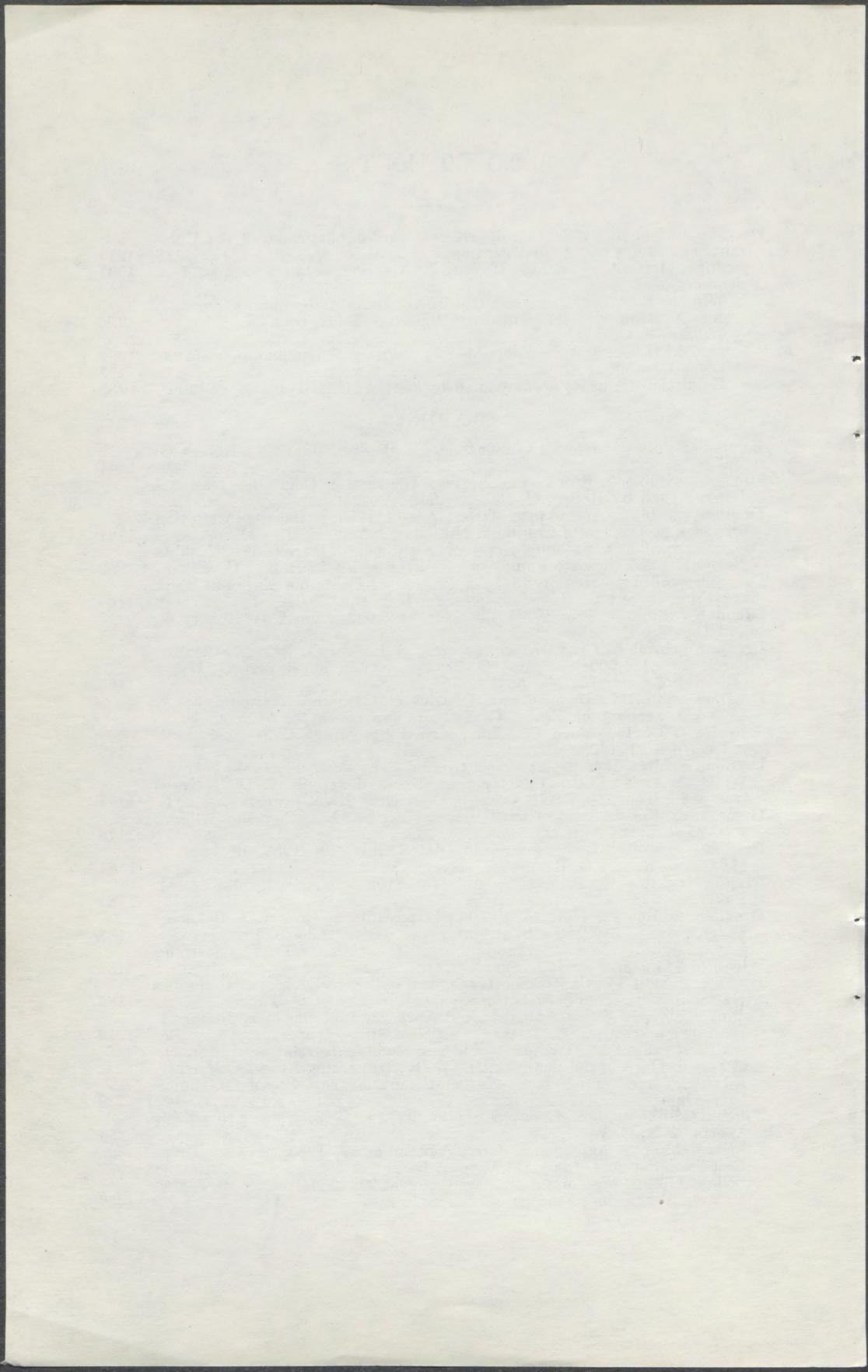
CONTENTS

	Page
Opening statement by Senator B. Everett Jordan, chairman of the Committee on Rules and Administration-----	1129, 1186, 1214
Opening statement by Senator Howard W. Cannon, acting chairman-----	1261
Testimony of—	
William R. Armstrong, accompanied by Hans A. Nathan, counsel---	1215
Jose A. Benitez, accompanied by Robert G. Flick, counsel-----	1130
William F. Collins-----	1187
Donald L. Donegan, accompanied by Bernard J. Nussbaum, counsel---	1262
Lorin Drennan-----	1157
Kenneth J. Sabella, accompanied by Bernard J. Nussbaum, counsel---	1283

EXHIBITS

Benitez exhibit 1. Checks payable to Renia Benitez, signed by Robert G. Baker-----	1140, 1141
Drennan exhibit 1. Stock subscription, District of Columbia National Bank, signed by Robert G. Baker-----	1160
Drennan exhibit 2. Acceptance, dated April 14, 1962, of Baker subscription for stock of District of Columbia National Bank-----	1161
Drennan exhibit 3. Stockholders ledger sheet of District of Columbia National Bank indicating number of shares issued to Robert G. Baker-----	1162
Drennan exhibit 4. Memorandum of District of Columbia National Bank regarding Robert G. Baker's request for loan of \$125,000-----	1163, 1164
Drennan exhibit 5. Promissory note for \$125,000, signed by Robert G. and Dorothy C. Baker-----	1165
Drennan exhibit 6. Credit entry, account of Robert G. Baker, \$125,000; check for \$125,500 to Ernest C. Tucker, signed by Robert G. Baker (District of Columbia National Bank)-----	1166
Drennan exhibit 7. Deposit slip, District of Columbia National Bank, \$125,500, account of Ernest C. Tucker, and check for \$125,500.50 to Realty Title Insurance Co., Inc., signed by Ernest C. Tucker, both dated April 23, 1963-----	1169
Drennan exhibit 8. Trust agreement dated September 13, 1962, between W. C. & A. N. Miller Development Co., and Joseph A. DiCesare as trustee for Ten Ten Travis Corp. on Van Ness Street property-----	1170-1177
Drennan exhibit 9. Deed of trust between Ernest C. Tucker and William F. Collins, dated April 23, 1963-----	1178-1179
Drennan exhibit 10. Memorandum, dated July 19, 1963, of loan of \$10,000 to Robert G. Baker-----	1181
Drennan exhibit 11. Promissory note for \$10,000 signed by Robert G. Baker-----	1182
Drennan exhibit 12. Note for \$11,111.11 payable to Robert G. Baker or assigns, signed by Staley B. Brinkley, Jr., and Frances S. Brinkley-----	1183
Drennan exhibit 13. Memorandum, bearing initials "WFC," concerning loan of \$45,518.19 made to Serv-U Corp-----	1184
Drennan exhibit 14. Chattel mortgage for \$54,432, to District of Columbia National Bank from Serv-U Corp., signed by Ernest C. Tucker-----	1185
Collins exhibit 1. Deed of trust, dated April 23, 1963, between Joseph A. DiCesare and Ernest C. Tucker, Van Ness Street property-----	1209-1212
Armstrong exhibit 1. Documents and correspondence relating to finances of Serv-U Corp., Fred B. Black, Jr., W. R. Armstrong, Ernest C. Tucker, Edward Torres, and Fidelity National Bank & Trust Co. of Oklahoma City, Okla-----	1221-1239
Sabella exhibit 1. Letter, dated September 19, 1963, from Kenneth J. Sabella to A. C. Weid-----	1286
Sabella exhibit 2. Agreement, dated September 17, 1963, between Brass Rail Food Services, Inc., and Melpar, Inc-----	1288-1292
Sabella exhibit 3. Memorandum, dated August 28, 1963, from R. B. Marsh of Melpar regarding vending operations-----	1296





FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

THURSDAY, FEBRUARY 20, 1964

U.S. SENATE,
COMMITTEE ON RULES AND ADMINISTRATION,
Washington, D.C.

The committee met, pursuant to recess, at 10:20 a.m., in room 318, Old Senate Office Building, Senator B. Everett Jordan (chairman) presiding.

Present: Senators Jordan, Cannon, Clark, Pell, Curtis, and Scott.

Also present: Hugh Alexander, chief counsel; L. P. McLendon, general counsel; Burkett Van Kirk, associate counsel; James H. Duffy, associate counsel; William B. Whitley, staff assistant to Senator Jordan; Walter L. Mote, professional staff member; William Ellis Meehan, investigator; and Alice Clark, staff.

The CHAIRMAN. The committee will come to order, please.

Mr. Benitez, will you come up and have a seat, please sir, in the witness chair?

Thank you.

In order that the witness may know why he is here and under what authority, it is necessary that I read this opening statement.

A quorum being present, the committee will please come to order.

This committee is acting by direction and under the authority of Senate Resolution 212, agreed to October 10, 1963, and Senate Resolution 291, agreed to February 10, 1964.

Senate Resolution 212 authorizes and directs the Senate Committee on Rules and Administration—

to make a study and an investigation with respect to any financial or business interests or activities of any officer or employee or former officer or employee of the Senate, for the purpose of ascertaining (1) whether any such interests or activities have involved conflicts of interest or other impropriety, and (2) whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or restricting any such activities.

Witnesses have been interviewed by the staff and heard both in executive and public sessions. Considerable evidence has been obtained and testimony received to date.

Witnesses who have appeared previously, or who will be called in the future, possess information which the committee believes is material and pertinent to the provisions of the resolutions of directions and authorization and which will aid the committee in fulfilling its legislative purpose.

The Chair advises each witness that he is entitled under the rules of procedure of the committee to retain and be accompanied by counsel. The counsel may advise the witness of his legal rights during

the course of the testimony. Should the witness not fully understand any question, witness may ask for clarification.

Counsel, however, shall not coach the witness, or answer for the witness.

The committee will now proceed to hear the testimony of Mr. Jose Benitez. Mr. Benitez, will you stand please and take the oath? Place your left hand on the Bible please, sir, and raise your right hand.

Do you solemnly swear that the evidence you are about to give before the committee in the matter now under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BENITEZ. I do, sir.

The CHAIRMAN. Thank you, sir. Have a seat. Counsel, you may proceed with your questioning.

Mr. McLENDON. Will you state your full name for the reporter?

TESTIMONY OF JOSE A. BENITEZ, ACCOMPANIED BY ROBERT G. FLICK, COUNSEL

Mr. BENITEZ. My name is Jose A. Benitez.

Mr. McLENDON. What is your residence address?

Mr. BENITEZ. My residence, sir, is in Saipan, Kapali, Micronesia, Marianas Islands.

Mr. McLENDON. Do you have your personal counsel with you today?

Mr. BENITEZ. I have my personal counsel who is a——

Mr. McLENDON. Just answer my question.

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Is he present?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Will counsel state his name and address?

Mr. FLICK. My name is Robert G. Flick, 1315 35th Street NW., Washington, D.C.

Mr. McLENDON. Mr. Benitez, do you know Andres Lopez?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. How long have you known him?

Mr. BENITEZ. Lifetime, sir.

Mr. McLENDON. And in what business was he engaged in 1960 and 1961?

Mr. BENITEZ. As I recall, in 1960—at the end of 1960 to 1961 he was involved in the meat business.

Mr. McLENDON. Was he an exporter of meat?

Mr. BENITEZ. He was an importer.

Mr. McLENDON. Importer. Where did he live at that time?

Mr. BENITEZ. I live in San Juan, P.R.

Mr. McLENDON. Where did he live—Lopez?

Mr. BENITEZ. He lived in San Juan, P.R.

Mr. McLENDON. Did he have a conversation with you sometime late in the year 1960 in which he asked you to help him in connection with procuring an agreement to purchase meat from a meat processing plant in Port-au-Prince, Haiti?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Tell the committee what he said to you?

Mr. BENITEZ. Mr. Lopez, who had been a lifelong friend of mine, and belonged to one of the most distinguished families of Puerto

Rico, went to see me at my apartment in San Juan, P.R., when I was the chairman of the Democratic State Committee of Puerto Rico that was known at that time as the Benicrats. He told me that he has found that in Haiti there was being built a first-class slaughterhouse; that he has been in the meat business bringing meat from Central America; that in order to bring meat from Central America to San Juan, P.R., it takes him around 14 to 15 flight hours. We are talking about fresh meat.

Mr. McLENDON. Yes.

Mr. BENITEZ. That is the meat used by the poor people of Puerto Rico. That if he was able to get a contract that will give him the meat from this slaughterhouse from Haiti, he will cut the flying time from 14 to 15 hours to 5 hours. I am talking about round trip. So that will bring him an economy of about 7 cents per pound cheaper just in transportation. He told me, and he promised me, that if he could bring this meat 7 cents cheaper per pound, he will put the meat cheaper to the consumer, and that happened.

I check on that. It came 9 cents cheaper per pound because the meat from Haiti was cheaper than the meat from South America. So I told him that I will do my best to try to get in touch with some of my friends in Washington who will know the people who own the slaughterhouse. So he told me that the slaughterhouse was owned by some people from Texas called the Murchison brothers, and that he was willing to give me as a finder fee 1 cent per pound of meat.

So I told him I am a politician, not a businessman. So give that cent to my wife who is the business partner of the group. So my wife sat down with me and we agreed that that was going to be it, if we were able to find him the people who owned the slaughterhouse to guarantee his delivery of meat and he will sell it in Puerto Rico at 9 cents cheaper per pound.

Mr. McLENDON. When he referred to the slaughterhouse was he referring to a concern known as Hampco?

Mr. BENITEZ. I only knew that the slaughterhouse was owned by the Murchisons. I never disclosed what company.

Mr. McLENDON. You knew where it was located, did you?

Mr. BENITEZ. Yes; he said it was located in Haiti.

Mr. McLENDON. Was your wife present when you had this conversation with Mr. Lopez?

Mr. BENITEZ. Yes, sir. It was in my house in my receiving room. My wife was very happy, too.

Mr. McLENDON. Was very happy?

Mr. BENITEZ. She was very happy too; sure.

Mr. McLENDON. Was she happy because you were willing to surrender your interest in this 1 cent or because you and she were both going to make something?

Mr. BENITEZ. No, no; she was very happy because I was going to be able to help the people of Puerto Rico to get cheaper meat.

Mr. McLENDON. Did you think that at that time you would be able to help him?

Mr. BENITEZ. I thought that I had enough friends in Washington that I could find someone who would be a friend of the Murchison family, sir.

Mr. McLendon. Which one of your numerous friends in Washington did you come to see in connection with it?

Mr. Benitez. Well, the person to whom I talked about this new slaughterhouse when I came to Washington was my very good friend, Robert Baker.

Mr. McLendon. What position did he hold at that time, to your knowledge?

Mr. Benitez. At that time, at the end of 1960, he was secretary to the Senate majority.

Mr. McLendon. Did your wife come with you to Washington?

Mr. Benitez. Yes, sir.

Mr. McLendon. Did Mr. Lopez come?

Mr. Benitez. He came with us also, sir.

Mr. McLendon. Did all three of you go to Mr. Baker's office upon your arrival in Washington?

Mr. Benitez. I don't remember exactly whether—I used to meet with Mr. Baker every time I came to Washington so I have not an idea if it was at my hotel where I first expressed Mr. Baker my interest in finding some person who knew the Murchison family in Texas, and I cannot tell you specifically because I don't remember whether it was in his office, whether my wife was or Mr. Lopez was at that time when I first spoke to Mr. Baker about it.

Mr. McLendon. Did you know that Mr. Baker was acquainted with the Murchisons, the owners of this meat plant?

Mr. Benitez. I asked him, sir.

Mr. McLendon. Before you saw him did you know that?

Mr. Benitez. No; I don't think I thought about it.

(Senator Clark left the hearing room.)

Mr. McLendon. Regardless of where you met him, whether it was at his office or at the hotel, did you introduce Mr. Lopez to him?

Mr. Benitez. Yes, sir. I introduced Mr. Baker to Lopez later. It would have been later after I found out that Mr. Baker will help us in establishing that.

Mr. McLendon. Let me understand. Did you know before you and Lopez and your wife went to see Baker that Baker was willing to help?

Mr. Benitez. It will have happened, sir.

Mr. McLendon. I beg your pardon?

Mr. Benitez. It will have happened, because I was coming very frequently, especially at that time, to Washington, sir.

Mr. McLendon. I am not sure I understand you. Before you and your wife and Mr. Lopez met Mr. Baker in Washington, had you been informed by Baker that he would be glad to help you?

Mr. Benitez. I will say that it will have happened, sir.

Mr. McLendon. It could have happened?

Mr. Benitez. Could have happened; yes, sir.

Mr. McLendon. You are not sure?

Mr. Benitez. Not sure because I came very frequently from San Juan to Washington.

Mr. McLendon. When you did meet with Mr. Baker, the three of you, you and your wife and Lopez, did you and Mr. Lopez explain to Mr. Baker what the problem was?

Mr. BENITEZ. I explain it and Mr. Lopez I am sure did so, sir.

Mr. McLENDON. Did you restate and did Lopez restate in Baker's presence the willingness of Lopez to pay 1 cent a pound for all meat that was exported or imported to Puerto Rico from the Hampeo plant?

Mr. BENITEZ. Sir, the thing was an agreement between Mr. Lopez and myself. That was when we met the first time in my house in Puerto Rico.

Mr. McLENDON. Yes.

Mr. BENITEZ. So I had the cent already between the agreement between Mr. Lopez and myself and my wife.

Mr. McLENDON. My question is did you explain that to Baker?

Mr. BENITEZ. I explained to Mr. Baker that I have 1 cent, that I was willing to split it up with those who will help us to find out and to find this slaughterhouse.

Mr. McLENDON. In other words, you said to Baker if he would help you accomplish the purpose Mr. Lopez had in mind, that you would divide the 1 cent around among all the helpers?

Mr. BENITEZ. No, sir. When I first talked to him, I don't think I did. I mentioned to Mr. Baker—it happened I mentioned to him I have 1 cent as finder fee that it can be split with whoever help us to get the slaughterhouse.

Mr. McLENDON. Was that to include Mr. Baker?

Mr. BENITEZ. Well, if he will help like he did; yes, sir.

Mr. McLENDON. What recommendation did he make to you and your wife and Mr. Lopez as a result of this conversation?

Mr. BENITEZ. Well, Mr. Baker told us that he was a personal friend of the people who represent the Murchison firm in Washington.

Mr. McLENDON. Is that the firm of Webb & Law?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Did you know them before that?

Mr. BENITEZ. Not businesslike, sir. I cannot tell you I have met them before or not. Socially I might because I have been coming to Washington in my capacity as chairman of the Democratic State Committee continually so I know many people in Washington, big reception, big Democratic dinners, I might have met them socially, but that is the first business approach that I ever did to them.

Mr. McLENDON. Regardless of whether Mr. Webb and Mr. Law are Democrats or Republicans, were you referred to them?

Mr. BENITEZ. Well, I knew they were Democrats, sir.

Mr. McLENDON. You did?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Did you know whether the Murchisons were Democrats?

Mr. BENITEZ. I presume so, sir.

Mr. McLENDON. You presume so. Did Mr. Baker refer you to Webb & Law?

Mr. BENITEZ. Yes, sir; he told me that he was going to arrange a meeting with Mr. Webb or Mr. Law.

Mr. McLENDON. Did he call them in your presence and make an engagement for you and your wife and Lopez to see them?

Mr. BENITEZ. It will have happened, sir, because we went to see them on recommendation of Mr. Baker.

Mr. McLENDON. You went to see them on the recommendation of Mr. Baker?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. And you think it is possible that Mr. Baker may have called them in your presence by phone?

Mr. BENITEZ. Yes, sir; or probably saw them personally; I don't know.

Mr. McLENDON. Do you recall hearing Mr. Baker say over the telephone to either Mr. Webb or Law that you and your wife and Mr. Lopez were in his office and were interested in a deal that involved the Murchisons and he was sending you down to see them?

Mr. BENITEZ. Sir; I cannot say that I remember that telephone conversation because I don't know Mr. Baker to have called them on the phone or to have seen them personally. I don't know. The thing that I know is that an appointment was made by Mr. Baker for my wife and Mr. Lopez and myself to go and visit Mr. Law and Mr. Webb in their office.

(Senator Pell left the hearing room.)

Mr. McLENDON. You went immediately—you went to a meeting that day, didn't you?

Mr. BENITEZ. We went to a meeting that day.

Mr. McLENDON. You didn't lose any time getting down to Webb & Law's office?

Mr. BENITEZ. No; I was not in such a hurry. I was having a big political fight at that time.

Mr. McLENDON. But your 1 cent wouldn't begin until you got the deal closed, would it?

Mr. BENITEZ. Yes; but Mr. Lopez first talked to me about this deal at the end of 1960.

Mr. McLENDON. I understand; OK.

Mr. BENITEZ. So I was not in a hurry, sir.

Mr. McLENDON. When you got down to Webb & Law's office, tell me what you told them.

Mr. BENITEZ. Well, we sat down in Mr. Tom Webb's and Frank Law's office and I told them to use Mr. Lopez, who is a very distinguished person in Puerto Rico, a constituent of mine who has come to ask my help in order to secure the production of meat from a slaughterhouse that has been built by the Murchison brothers in Port-au-Prince, Haiti, and that Mr. Lopez was ready to start negotiating with them. He have the proper financial background and everything, and that I will be very happy if they could help us on that. So they answer to us that they thought that they could do it and that they were representing the Murchisons in Washington.

So we discussed, and then Mr. Lopez talked to them about the meat situation as I explained before in Puerto Rico, the big advantage that that will be for him, and, well, just like a meeting, that was more or less the meeting, sir.

Mr. McLENDON. Did they tell you that they represented the Murchison interests?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Did they tell you that they were familiar with this meatpacking plant in Port-au-Prince?

Mr. BENITEZ. Yes, sir. They said they knew about it.

Mr. McLENDON. Did you repeat the proposal that Lopez had previously made to you about the 1 cent a pound?

Mr. BENITEZ. Yes, sir. I told them that I had 1 cent in my pocket.

Mr. McLENDON. What agreement did you and Law and Webb arrive at with respect to how the 1 cent a pound would be divided?

Mr. BENITEZ. We agreed, sir, that we should split the cent with those who have found, put together the business. So that was Mr. Law and Mr. Webb, Mr. Baker, and my wife. So we agree on that.

Mr. McLENDON. Let me repeat that, to be sure the record is clear. You and Webb and Law and Lopez agreed that the 1 cent a pound would be made by Lopez for all meat shipped from Hampco to him at Puerto Rico?

Mr. BENITEZ. Sir, the agreement was between Mr. Lopez and myself. So I didn't think that Mr. Lopez had anything to do at that moment, because I was the one who had the cent.

Mr. McLENDON. You already said you agreed on how the 1 cent was to be divided, haven't you?

Mr. BENITEZ. Yes; I agreed, myself with Mr. Baker, that the cent was going to be divided between two parts, Mr. Baker and my wife, and Mr. Law and Mr. Webb because I considered that they were a part of the finder fee.

Mr. McLENDON. How much of the 1 cent was to be paid to you or your wife?

Mr. BENITEZ. One-fourth of a cent for me and one-fourth of a cent to Mr. Baker.

Mr. McLENDON. And the other half-cent would go to Webb and Law?

Mr. BENITEZ. Law have—one-fourth to Mr. Law and one-fourth to Mr. Webb.

Mr. McLENDON. Did you learn, Mr. Benitez, prior to the meeting with Webb and Law, that permission had to be obtained from the State Department, from the U.S. Department of Agriculture for shipment of any of that meat into the United States?

Mr. BENITEZ. No, sir.

Mr. McLENDON. When did you first learn that?

Mr. BENITEZ. Please, sir?

Mr. McLENDON. When did you first learn that permission had to be obtained from the Department of Agriculture before any of this meat could be shipped into the United States?

Mr. BENITEZ. Never.

Mr. McLENDON. Never did?

Mr. BENITEZ. Never, because Mr. Lopez when he went to see me, he talked to me about a modern new slaughterhouse. So I don't get involved whether the slaughterhouse or what regulations was to bring meat from Haiti, because what I was interested in was in finding Mr. Lopez so that he will be able to buy that meat. So I never discussed, and Mr. Lopez never discussed with me, anything relating to a permit.

Mr. McLENDON. Did you later go to the Department of Agriculture with any of these people?

Mr. BENITEZ. Never, sir.

Mr. McLENDON. You never visited the Department at any time?

Mr. BENITEZ. The Department of Agriculture?

Mr. McLENDON. Yes, in connection with this meat deal.

Mr. BENITEZ. Sir, I have never been in the Department of Agriculture in my life, sir.

Mr. McLENDON. All right. Did you know that Webb and Law went?

Mr. BENITEZ. I don't know, sir.

Mr. McLENDON. Did your wife tell you that they had been?

Mr. BENITEZ. No, sir; because we departed from Washington May 17 to Guam. So what our business was to put the whole group together, once that we were sure they were together that is finished. I have other problems that I was involved in.

Mr. McLENDON. What you are saying is that you left the entire problem up to Webb and Law to work out?

Mr. BENITEZ. I never thought that there was any problem, sir.

Mr. McLENDON. You did not?

Mr. BENITEZ. No. The problem, I thought, was to get the meat for Lopez.

Mr. McLENDON. And you had no information concerning the requirements of the Department of Agriculture that an inspection and approval of the plant had to be made by them before the meat could be shipped into the United States?

Mr. BENITEZ. Sir, I don't know anything, still I don't know anything about the meat business. I never heard of a filet mignon until I was about 9 years old.

Mr. McLENDON. All right. Now, Mr. Lopez did finally work out the plans so that he could buy the meat from the Hampeco Co. at Port-au-Prince; did he not?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Do you know when the payments began of the 1 cent?

Mr. BENITEZ. As I recall, sir, it was about 5 or 6 months later, sir.

Mr. McLENDON. How did you find out when it began?

Mr. BENITEZ. My wife received a check.

Mr. McLENDON. How many checks did she receive, to your knowledge?

Mr. BENITEZ. I don't know, sir, and already she wrote to our bank in order to send—the bank send her—a deposit list, so I will be very happy to submit it to the committee whenever we receive it. As you know, about 2 years ago we had a big typhoon in Guam and Saipan and our house was destroyed in that typhoon. So we already wrote the bank that we want a copy of the deposit list so we can be very happy to bring it to you, sir.

Mr. McLENDON. I show you copies of three checks; the first one at the top of the page you will observe is dated August 2, 1962. Will you look at that and state whether or not that check is payable to your wife?

Mr. BENITEZ. Yes, sir; that is December 20, 1962.

Mr. McLENDON. And signed by Robert G. Baker?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. What is the amount of the check?

Mr. BENITEZ. \$1,447.

Mr. McLENDON. You read it wrong, didn't you?

Mr. BENITEZ. The other one is \$906.

Mr. McLENDON. \$906.54, isn't it?

Mr. BENITEZ. Right, sir.

Mr. McLENDON. Does it bear the endorsement of your wife on the reverse side of the check?

Mr. BENITEZ. Right, sir.

Mr. McLENDON. And you know that is your wife's signature?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Was that check received by your wife in payment of the one-fourth of a cent a pound that Mr. Lopez had agreed to pay?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Can you explain why this check is payable—drawn on Mr. Baker's bank account and payable to your wife?

Mr. BENITEZ. Because the checks were sent by Mr. Lopez to Mr. Baker.

Mr. McLENDON. For the whole 1 cent?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. And he divided the 1 cent?

Mr. BENITEZ. Right, sir.

Mr. McLENDON. And that continued to be the practice thereafter; did it?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Now, look at the second check dated December 20, 1962. Do you see that one?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Is that also payable to your wife?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. In the amount of \$1,447.95?

Mr. BENITEZ. Right, sir.

Mr. McLENDON. And signed by Robert G. Baker?

Mr. BENITEZ. Right, sir.

Mr. McLENDON. And it bears your wife's endorsement on the back of the check?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. Did she tell you that that was in payment of the quarter of a cent a pound that she was to receive for this meat sale?

Mr. BENITEZ. Yes, sir; that is the only money we received from Mr. Baker, sir.

Mr. McLENDON. He didn't pay you any money for anything else?

Mr. BENITEZ. No, sir.

Mr. McLENDON. How about the other way around? Did you pay him anything?

Mr. BENITEZ. No, sir.

Mr. McLENDON. Never?

Mr. BENITEZ. I don't think so.

Mr. McLENDON. Sir?

Mr. BENITEZ. I don't think so.

Mr. McLENDON. You don't say so?

Mr. BENITEZ. That I have paid him for something else?

Mr. McLENDON. Yes; that is my question.

Mr. BENITEZ. No.

Mr. McLENDON. You never have?

Mr. BENITEZ. First of all, I don't have my bank account. My wife is the one who runs the bank account in my house.

Mr. McLendon. You seem to know about this money she collected. Wouldn't you know whether she paid Mr. Baker anything?

Mr. Benitez. I don't think so, sir.

Mr. McLendon. You don't think so?

Mr. Benitez. No, sir.

Mr. McLendon. All right. Look at the third check on that same sheet dated March 8, 1963, for \$115.58. Is that one also payable to your wife? It is a little hard to read the first name.

Mr. Benitez. Yes, sir.

Mr. McLendon. It appears to be; does it not.

Mr. Benitez. Yes, sir.

Mr. McLendon. And does it bear your wife's endorsement on the back of the check?

Mr. Benitez. Yes, sir.

Mr. McLendon. Did she tell you that that was in payment of the one-quarter of a cent a pound under this agreement that you testified to?

Mr. Benitez. Yes, sir. Sir, may I clarify a question that you made was if we have ever paid Mr. Baker?

Mr. McLendon. Yes.

Mr. Benitez. I said it might have happened because it comes to my mind that the first check that was received was sent to my wife, so then my wife sent the participation to Mr. Baker. I have a small recall on that, so I want to be clear that it might have happened.

Mr. McLendon. I am glad you called my attention to that. Let's see if we understand.

Mr. Benitez. Yes, sir.

Mr. McLendon. The first payment of the 1 cent a pound was made in total, the total amount to your wife, and she distributed it?

Mr. Benitez. Yes, sir; I think so, sir.

Mr. McLendon. So that Baker's part was paid to him by your wife's check, I take it?

Mr. Benitez. Yes, sir.

Mr. McLendon. Thereafter the money was all received by Baker and he made the distribution?

Mr. Benitez. Yes, sir.

Mr. McLendon. Is that what you said?

Mr. Benitez. Yes, sir.

Mr. McLendon. Other than that did you or your wife pay Baker any money?

Mr. Benitez. Unless some other check have been made by Mr. Lopez that I don't recall at the moment, that instead of sending it to Mr. Baker he will have sent it to my wife and we have given Mr. Baker's participation. I don't recall exactly, sir. I have sent for those records which, as I told you before, I will be very happy to send it to the committee.

Mr. McLendon. Would it be correct to say, then, that if Baker received any other money from you or your wife, it would be in connection with this meat deal?

Mr. Benitez. Yes, sir.

Mr. McLENDON. You didn't have an agreement with Baker on the side, as the expression goes, to pay him more than a quarter of a cent, did you?

Mr. BENITEZ. No, sir.

Mr. McLENDON. You are sure about that?

Mr. BENITEZ. I have never make any business on the side, sir.

Mr. McLENDON. That is a good practice. Now, the last check on the sheet, dated July 6, 1963; is that also payable to your wife?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. And that check is likewise signed by Robert G. Baker, isn't it?

Mr. BENITEZ. Yes, sir; right.

Mr. McLENDON. And does it bear your wife's endorsement? It is almost illegible, but it looks like your wife's endorsement. Is it?

Mr. BENITEZ. No; it is my endorsement, sir, in the name of my wife.

Mr. McLENDON. The top endorsement, that is the way you write your name?

Mr. BENITEZ. Yes, sir.

Mr. McLENDON. She is a better writer than you are. You endorsed it for her; is that correct?

Mr. BENITEZ. I think so; yes, sir. That is the way it shows here.

Mr. McLENDON. Did she get the money?

Mr. BENITEZ. She may have given me some participation, depending on what mood she was in.

Mr. McLENDON. When you got to this point you needed some money yourself; is that right? Is that possible?

Mr. BENITEZ. Sir?

Mr. McLENDON. I say when you got to this point in this transaction, you needed some of the money yourself and you think your wife just turned this check over to you?

Mr. BENITEZ. Yes. I don't know if it was deposited for her account—that I deposited it in her account. I cannot—I don't recall, sir. But what I can tell you for sure is that I have permission to use some of that money if I wanted to at that time.

Mr. McLENDON. Was that unusual, for you to get permission to use your wife's money?

Mr. BENITEZ. I don't have 1 cent, sir. I receive—my wife runs the finances in my family. I am a politician. We are a very bad businessman, sir.

Mr. McLENDON. That might also be a very good practice.

Mr. BENITEZ. Thank you, sir.

Mr. McLENDON. Mr. Reporter, will you mark this sheet with an appropriate exhibit number?

(The material referred to was marked "Benitez Exhibit 1," and is as follows:)

BENITEZ EXHIBIT 1

Rene Benitez

NO. [REDACTED] XXXX

8/16/62

ROBERT G. BAKER
PROPERTY & BANKING
CORPORATION
1001

*Mr. Rene Benitez
c/o American Security & Trust Co.
Washington, D.C.*

AMERICAN SECURITY & TRUST CO.
WASHINGTON, D.C.

[REDACTED] XXXX

[REDACTED] XXXX

[REDACTED] XXXX

Rene Benitez

NO. [REDACTED] XXXX

1/2/63

ROBERT G. BAKER
PROPERTY & BANKING
CORPORATION

*Mr. Rene Benitez
One Thomas / per hundred pcty. owned by
Robert G. Baker*

AMERICAN SECURITY & TRUST CO.
WASHINGTON, D.C.

[REDACTED] XXXX

[REDACTED] XXXX

[REDACTED] XXXX

Mr. McLendon. Mr. Benitez, do you know that the agreement between Lopez and the Hampco Co. was terminated?

Mr. Benitez. Yes, sir.

Mr. McLendon. And what do you know about the new company that took over the contract for the purchase of meat from Hampco?

Mr. Benitez. Sir, I have nothing to do with that because I was already in the Pacific Islands, so I heard that they have found another outlet and that they have made an agreement with another person which I have never met. So I just—for me that business was closed the day that I finally put together all the parts.

Mr. McLendon. You mean by "they," Mr. Lopez, your wife, Baker, Webb, and Law?

Mr. Benitez. Sir, I mean Mr. Tom Webb and Mr. Law, because my wife was with me on the Pacific Islands.

Mr. McLendon. Did she continue to receive her quarter of a cent a pound?

Mr. Benitez. Yes, sir.

Mr. McLendon. From whom did she receive it?

Mr. Benitez. From Mr. Baker.

Mr. McLendon. Is she still receiving it?

Mr. Benitez. Yes, sir.

Mr. McLendon. And all the payments are made to her by Mr. Baker?

Mr. Benitez. Yes, sir.

Mr. McLendon. And that has been true ever since the original contract was made with Mr. Lopez?

Mr. Benitez. Yes, sir.

Mr. McLendon. Did you have knowledge of the fact that the Hampco Co. entered into a contract with your wife and Baker and Webb and Law agreeing to pay a certain percentage of their profits to the group?

Mr. Benitez. No, sir. The only knowledge that I have—my wife as I said before, she went with me in the Pacific Islands—was the agreement that we had with Mr. Lopez.

Mr. McLendon. If I understand you, then, you had no knowledge of this second contract that was made with Mr. Kentor of Chicago?

Mr. Benitez. I knew about it, sir, and we kept receiving our money just like if it had been with Mr. Lopez. I didn't know the inside how they did it, what happened, or nothing like that, sir.

Mr. McLendon. Regardless of whether you knew about the agreement, you do know that your wife continued to receive the same quarter of a cent a pound, do you not?

Mr. Benitez. Yes, sir.

Mr. McLendon. And is receiving it even now?

Mr. Benitez. Yes, sir.

Mr. McLendon. That is all, Mr. Chairman.

The Chairman. Senator Cannon, do you have any questions?

Senator Cannon. I have no questions.

The Chairman. Senator Curtis, do you have some questions?

Senator Curtis. Yes. I didn't quite understand why, in connection with this quarter of a pound for meat, a quarter of a cent, that your wife could draw the money but you couldn't. Why is that?

Mr. Benitez. Senator, I don't understand the question, please.

Senator CURTIS. The fee paid of a quarter of a cent a pound that was paid to your wife.

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Why wasn't it paid to you?

Mr. BENITEZ. Because my wife, sir, runs the finances in my house.

Senator CURTIS. That doesn't add up.

Mr. BENITEZ. It is a custom in my family, sir.

Senator CURTIS. That is the way most houses are run. Who performed the service?

Mr. BENITEZ. Myself, and my wife was with me, sir.

Senator CURTIS. What service did your wife perform?

Mr. BENITEZ. Get together with Mr. Lopez and myself in the first meeting.

Senator CURTIS. Where was that meeting?

Mr. BENITEZ. In my house, sir.

Senator CURTIS. Who else was present?

Mr. BENITEZ. Nobody else; my wife, Mr. Lopez, and myself, sir.

Senator CURTIS. That is the first you ever heard of it.

Mr. BENITEZ. Yes, sir; that is the first time Mr. Lopez talked to me.

Senator CURTIS. How did Robert Baker, the secretary to the majority, get into it, then?

Mr. BENITEZ. Because Mr. Robert G. Baker is my friend and was my friend. So I have to find out somebody in Washington who be my friend who at the same time would be a friend of the owners of the slaughterhouse so I can put the whole group together.

Senator CURTIS. Well now, what services did Baker perform?

Mr. BENITEZ. Oh, if it had not been for him I would not have been able to meet with these people, Law and Webb.

Senator CURTIS. He contacted Law and Webb?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. And Law and Webb got a half cent a pound?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. What services did any of you perform?

Mr. BENITEZ. A finder fee, sir.

Senator CURTIS. A finder fee. You are still finding. Now, how long did this meeting last where your wife performed services in bringing about this transaction?

Mr. BENITEZ. Sir, as far as I recall, from the time that we met with Mr. Lopez who went to see me at my house and the time that Mr. Lopez came and saw us and met with Mr. Law and Mr. Webb, I will say—I am not sure—that 2 or 3 months might have passed from that day, because my main interest, as I said before, at that time I was involved in a political fight in Puerto Rico and in Washington. I could not give enough time to any other thing. So it took about 3 months.

Senator CURTIS. Now, answer my question. This meeting where you said, when I asked if she had performed services, you referred to the first meeting. How long did that last?

Mr. BENITEZ. I don't recall, sir.

Senator CURTIS. How many days?

Mr. BENITEZ. The first meeting with Mr. Lopez visiting to us have lasted a couple of hours.

Senator CURTIS. What other meeting did your wife attend?

Mr. BENITEZ. The meeting with Mr. Law and Mr. Webb.

Senator CURTIS. Where?

Mr. BENITEZ. In Washington, sir.

Senator CURTIS. Were you present?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Who did the talking?

Mr. BENITEZ. Myself, my wife, Mr. Law, Mr. Webb.

Senator CURTIS. And when did that meeting take place?

Mr. BENITEZ. I will say, sir, that at the beginning of 1961.

Senator CURTIS. Now, did you see Law and Webb before you saw Baker?

Mr. BENITEZ. Mr. Baker was the one who made the appointment with Mr. Law and Mr. Webb.

Senator CURTIS. Now tell me this. Who first mentioned that Mr. Baker should get a quarter of a cent a pound for this meat?

Mr. BENITEZ. I did, sir.

Senator CURTIS. Oh, you offered it to him.

Mr. BENITEZ. Yes, sir.

Senator CURTIS. It was your wife's business but you offered Baker a cut?

Mr. BENITEZ. Yes, sir, because my wife's business is my business, sir.

Senator CURTIS. That is what I think.

Mr. BENITEZ. Right.

Senator CURTIS. That is what I think. So, while the fact that she received the money does not relieve you from assuming responsibility for the transaction, it was either your transaction or, to be the most generous to you, it was a joint transaction between the two of you; wasn't it?

Mr. BENITEZ. Senator, already I have testified that I was the person who put the business together, but I gave that business to my wife because she runs the finances in my house.

Senator CURTIS. All right. Who gave it perpetual motion that it is still going and is still paying?

Mr. BENITEZ. What, sir?

Senator CURTIS. Why is this money still being paid for the right to import?

Mr. BENITEZ. Well, sir, because we were able to establish a market before the slaughterhouse in Haiti starts importing meat to Puerto Rico, the meat to Puerto Rico was brought from Central America. So being able to achieve that the whole production of that new slaughterhouse will go to Puerto Rico instead of going to other markets, let's say like the United States or to other places, be sent to Puerto Rico was what make Mr. Lopez, who was the originator, the one who went to see me, I never went to see Mr. Lopez, he came to see me. So he explained to me, as I said before, that this will bring on his costs of transportation as the distance between Haiti and San Juan is much smaller than the distance from San Juan to Central America, was going to bring him an economy of 14- to 15-hour flight time against 5 hours. So he say if you put this business together right there in my house, I give you 1 cent per pound.

Senator CURTIS. All right. Now, when you and your wife were first employed, when you went to see Baker and then went to see Law and Webb, had all of the arrangements so far as inspection or

related activities by the Department of Agriculture, had they been cleared?

Mr. BENITEZ. Sir, if you will excuse, I testified already that I have never, and I still don't know about the meat business except what it relates with prices, and I said before to the counsel and the chairman that since I was a little boy I never heard what a filet mignon was. I thought it was an automobile until my father bring it to my house. Since that time, and I am not a businessman, sir; I am a professional politician. I was born a professional politician. Lopez is my constituent. He comes to me, and he explains to me that this will be a good service. Still I have in my mind when I was living in the little island of Vieques that I never knew anything about filet mignon. I eat that meat that you hammer and eat. When he told me that this meat can come at least cheaper to the consumer, that was my interest, not the cent.

Senator CURTIS. Is William Kentor your Chicago constituent?

Mr. BENITEZ. I don't know Mr. Kentor. I don't know him, sir.

Senator CURTIS. Why is Mr. Kentor paying at this very day to get this meat imported?

Mr. BENITEZ. I presume, sir—I don't know, because I have not discussed that with—

Senator CURTIS. You are getting some of the money?

Mr. BENITEZ. Yes, sir, but because I consider that is the original business that we started. Is like if I was an artist, and I record a record, there is a chance that the record will be a failure, or like my book; I wrote a book about application, and I have the book still in my garage, never sold. If it sold, I still receive the money.

Senator CURTIS. All right. Now, among your partners, friends, and relatives, who brought Kentor and Hampco together?

Mr. BENITEZ. I presume, sir, that it was Mr. Webb and Mr. Law.

Senator CURTIS. As a matter of fact, they have never been together; isn't that right?

Mr. BENITEZ. I don't know, sir. I was in Saipan. I don't know, sir.

Senator CURTIS. Now, has anything been paid by Hampco to you?

Mr. BENITEZ. No, sir. I receive my check; I am not aware of the business regulations one with the other. I am aware that I receive my fourth of a cent for the business that I did when I was in Puerto Rico at the end of 1959 when Lopez went to see me in my house, sir, at the end of 1960.

Senator CURTIS. And Lopez is out of it now?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. And the quarter of a cent a pound still comes to you and your wife; is that right?

Mr. BENITEZ. That is right, Senator.

Senator CURTIS. Why?

Mr. BENITEZ. Because we created, put together, invented, established the business when Mr. Lopez went to see me in Puerto Rico.

Senator CURTIS. Why is it going to Bobby Baker?

Mr. BENITEZ. Because I myself personally decided that morally I was obligated to divide from my cent to give Bobby a participation in it because he helped me put the business together.

Senator CURTIS. While this is a side issue to this committee, I might say that I come from a State where 65 percent of the farm income is

from livestock, the greatest meatpacking center in the world, and the farmers are almost literally wrecked by the importation of livestock meat and meat products, and they are greatly disturbed over the fact that importers go to the U.S. Capitol and give some clerk \$4,000 in 1 year and a subsequent amount added to it even though it isn't great. I would like to know why Mr. Kentor is paying you.

Mr. BENITEZ. Senator, may I answer, with your permission, the first part of the question? We are not talking about livestock at all.

Senator CURTIS. No; I said livestock, meat, and meat products.

Mr. BENITEZ. No, sir. This is, as I said before, fresh meat. You see, in Puerto Rico we buy all our first-class meat or second-class meat to all the hotels from the United States; probably, from your State, which is first-class meat. Now the poor people of Puerto Rico cannot afford to buy this type of meat that comes frozen. It goes frozen by ships from Puerto Rico, from the States to Puerto Rico. We bring the fresh meat still from Puerto Rico, from Central America, and Haiti, and that is flown by plane so it doesn't need any refrigeration.

Senator CURTIS. Hamcco meat does come into the United States.

Mr. BENITEZ. I don't know anything about Hamcco meat, sir.

Senator CURTIS. You brought them together and Kentor is paying for something. How is Kentor using this meat?

Mr. BENITEZ. I don't know, sir. I brought together Mr. Lopez, Mr. Tom Webb, and Mr. Frank Law, myself through the help of my friend, Mr. Robert G. Baker, and we started that business. For me that business ended there.

Senator CURTIS. But you started out with Baker before you went to Webb and Law.

Mr. BENITEZ. Absolutely, sir.

Senator CURTIS. All right. Now, how much have you and your wife together received in commissions, or whatever is the proper term, for this importation of meat?

Mr. BENITEZ. Sir, to be exact to this committee, I already told the general counsel and the chairman that my wife has written to our bank to send us a complete record of all the money we have received so that the committee will have it and I will not make any mistake in figures.

Senator CURTIS. Give me a broad statement.

Mr. BENITEZ. I think that it—and I don't want to make a mistake, sir; I want to be very clear. It probably, let's say, is about \$250 a month.

Senator CURTIS. At the present time?

Mr. BENITEZ. No; since the beginning.

Senator CURTIS. To the best of your knowledge, is Baker still getting that?

Mr. BENITEZ. Sir, if we get back have to give because we will feel morally bound.

Senator CURTIS. Webb and Law get twice that much.

Mr. BENITEZ. They are two, so they have two. Each one of them gets exactly the same.

Senator CURTIS. I tried to find out from Mr. Webb if they rendered any service. It wasn't very fruitful. Now, how long have you known Robert Baker?

Mr. BENITEZ. Oh, I know Mr. Robert G. Baker, sir, since the first Democratic convention in Chicago when Adlai Stevenson was nominated candidate for the President.

Senator CURTIS. In what year? He has been nominated so many times. In what year?

Mr. BENITEZ. In the first convention he was——

Senator CURTIS. 1952?

Mr. BENITEZ. 1962, sir.

Senator CURTIS. 1952.

Mr. BENITEZ. 1952; yes sir.

Senator CURTIS. Have you seen Robert Baker quite a few times since then?

Mr. BENITEZ. Sir, I have seen Mr. Baker and I see Mr. Baker very frequently, because he is my good friend, sir.

Senator CURTIS. Yes. Where have you seen him outside the city of Washington?

Mr. BENITEZ. In Washington most of the time, sir.

Senator CURTIS. Where else?

Mr. BENITEZ. I see him in Puerto Rico, sir.

Senator CURTIS. How many times?

Mr. BENITEZ. Sir, let me clarify. I have been out of Puerto Rico since May 17, 1961.

Senator CURTIS. Yes.

Mr. BENITEZ. So before that I will say two or three times.

Senator CURTIS. Two or three times?

Mr. BENITEZ. Before that year. Now, since 1961 to 1964 I have not seen Mr. Baker once in Puerto Rico.

Senator CURTIS. But you saw him two or three times before that?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. What was he doing there?

Mr. BENITEZ. Mr. Baker—you see Puerto Rico on the last—let's say since 1960, since Castro came to Cuba have become one of the big attractions for tourists and Americans to go to Puerto Rico. So that is when we start developing our new hotels and our new tourist industry. So since that time when many other people from the United States, from Washington, from the Government, political leaders both parties go to Puerto Rico.

Senator CURTIS. Now, when did you see him in Puerto Rico the first time he came?

Mr. BENITEZ. Well, I recall that I was informed by the secretary of my party that Mr. Baker was coming to be the speaker in a convention of some type in Puerto Rico. I don't remember exactly which association have invited him. So as a custom our state committee, and especially the Benicrat group, always have been looking forward to all leaders of our party who visit Puerto Rico to go and entertain them.

Senator CURTIS. My question is when, to your knowledge, was Baker's first trip to Puerto Rico, what year? You say you met him in 1952; how soon thereafter?

Mr. BENITEZ. Well, I will say, sir, that before 1960, 1958, there was 1958, from 1958 to 1960, I will say sir.

Senator CURTIS. You would meet him at the plane?

Mr. BENITEZ. If I not, some of the members of my committee will have.

Senator CURTIS. And you did sometimes?

Mr. BENITEZ. Yes, sir; like I did to everybody else.

Senator CURTIS. Check into the hotel?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Took him to the hotel?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. And you provided him with hotel accommodations, somebody down there?

Mr. BENITEZ. Sir, my committee in that period since 1959, that before 1960's election year, we were involved in a big political fight inside Puerto Rico on account of a split of the party. So we didn't have money to pay hotel for anybody. What we could do was to offer our hospitality, as you probably have been in Puerto Rico, the Latin hospitality, we do our best. I don't recall that we have any money to pay anybody any hotel.

Senator CURTIS. So you entertained him in your home?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. How many times did you entertain him in your home?

Mr. BENITEZ. Well, I will say that I would try to entertain him in my home any time he would have been in Puerto Rico.

Senator CURTIS. But how many times?

Mr. BENITEZ. I cannot recall exactly. I'd say two or three times.

Senator CURTIS. Now, did you ever take him to the airport when you departed—when he departed?

Mr. BENITEZ. Probably.

Senator CURTIS. Did he leave for the United States or did he leave for other points in the Caribbean?

Mr. BENITEZ. No; I don't think, sir, that I have ever taken Mr. Baker at that time to Puerto Rico where he will depart to some other place. I don't know.

Senator CURTIS. Did he ever discuss in your presence, with you or with others, business ventures in Puerto Rico or elsewhere in the Caribbean?

Mr. BENITEZ. Not that I recall, sir.

Senator CURTIS. Not that you recall.

Mr. BENITEZ. Not that I recall.

Senator CURTIS. Not hotel business?

Mr. BENITEZ. No sir.

Senator CURTIS. No gambling concessions.

Mr. BENITEZ. I don't gamble.

Senator CURTIS. I didn't ask you that.

Mr. BENITEZ. Sir, you are asking me. I don't know—whenever I met him it was in social gatherings at my house and my committee. Whether he did discuss, I don't think so, sir.

Senator CURTIS. You just don't think so.

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Well, now, do you know a Mr. William McLeod who testified before this committee.

Mr. BENITEZ. I remember that I met him 2 days ago when I was called by this committee, and he was in the office here with me waiting to testify. The reason that I recall—

Senator CURTIS. Did you recognize him as someone you met in Puerto Rico?

Mr. BENITEZ. To tell you the truth, sir, I never recall that. Somebody mentioned to me before if I have ever received Mr. McLeod in the airport, so I asked him 2 days ago, "Did I receive you at the airport?" When I am in Puerto Rico, sir, and if you will excuse me for explaining this situation so it will be more clear, at that time when I am involved in this political fight, I will receive anybody who will be from Washington to Puerto Rico trying to get people to join my forces in the big fight I had at that time in front of the national committee. So it will have been possible, and I ask him personally 2 days ago, "Did I receive you in the airport?" and he say, "I think so; and you took me to the hotel."

Senator CURTIS. He thinks so.

Mr. BENITEZ. Yes; he say he thinks so, so I tell you what he told me.

Senator CURTIS. Who told you that he was coming when you met him at the airport?

Mr. BENITEZ. I don't recall, sir, because you see this is a committee; it is an organization that we find whoever comes to Puerto Rico that we should go and receive him; it is a courtesy that we extend to any person including some Republicans also that I have gone and I have been very happy to take care of them.

Senator CURTIS. I would like to go down there sometime; of course, paying my own way. Do you know Ramos Cobian?

Mr. BENITEZ. Yes, sir; very well.

Senator CURTIS. Where does he live?

Mr. BENITEZ. In San Juan.

Senator CURTIS. How long have you known him?

Mr. BENITEZ. Oh, many years; since I was a little boy, sir.

Senator CURTIS. He and Baker are acquainted?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. How do you know?

Mr. BENITEZ. Because Mr. Cobian is a very close friend of mine, so I know that Mr. Cobian is a good friend of Mr. Baker.

Senator CURTIS. And you have been at social gatherings when Cobian and Baker were there?

Mr. BENITEZ. Senator Curtis, Mr. Cobian, so that you have a clear picture, happened to be, was first the vice president of the Democratic State Committee of Puerto Rico for 8 years. After that, Mr. Cobian, when I was appointed by the President to my position on the Pacific island, he assumed the chairmanship of the Democrat groups.

Senator CURTIS. What is his business besides politics?

Mr. BENITEZ. Mr. Cobian is one of the richest persons in Puerto Rico. He owns the movie houses in Puerto Rico, plus he have a small hotel next to the Carib Hilton.

Senator CURTIS. A small hotel next to it?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. What is it called?

Mr. BENITEZ. The San Luis Hotel.

(At this point of the proceedings, Senator Scott entered the committee room.)

Senator CURTIS. Do you spell Cobian, C-o-b-i-e-n?

Mr. BENITEZ. C-o-b-i-a-n.

Senator CURTIS. I-a-n?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Did Cobian and Baker ever have any business activities together?

Mr. BENITEZ. Not that I know of, sir.

Senator CURTIS. They might have?

Mr. BENITEZ. I don't think so, sir.

Senator CURTIS. What is the business of Paul Aguirre?

Mr. BENITEZ. Paul Aguirre?

Senator CURTIS. Aguirre.

Mr. BENITEZ. Paul Aguirre is a very well-known figure in the finance world of Puerto Rico, and he represents finance, having to do with mortgage companies in Puerto Rico.

Senator CURTIS. He is acquainted with Baker?

Mr. BENITEZ. I think so, sir.

Senator CURTIS. Now, the press reported that Baker frequently called Paul Aguirre, repeatedly telephoned him in May 1962 to ask for a review of a decision of FHA on a Puerto Rican project. Until recently Ferrie was a Deputy FHA Commissioner in Washington. Do you know anything about that transaction?

Mr. BENITEZ. Sir, in 1962 I was in the Pacific islands.

Senator CURTIS. Do you know anything about the business arrangements or transactions, if any, that existed between Aguirre and Baker?

Mr. BENITEZ. No, sir.

Senator CURTIS. Do you know whether there were some?

Mr. BENITEZ. No, sir.

Senator CURTIS. Did you tell any of your friends that the place to get business started and rolling and get people together was like you did in reference to meat; get in touch with Robert Baker?

Mr. BENITEZ. No, sir. What I told my friends, "If you want to meet a good loyal friend in Washington, I will be very happy to introduce you to a great young boy called Robert G. Baker." No business, because as I told you before, Senator, I am not a businessman. I will never be a businessman. I am a professional politician.

Senator CURTIS. I think you are a pretty good businessman. That quarter of a cent a pound is rolling in.

Mr. BENITEZ. If I was a good businessman, I would have kept the whole cent for myself, sir.

Senator CURTIS. Well, I know, but I can't find out what services you performed other than you called at the office of Robert Baker. Then he told you who to get in touch with and \$250 a month rolls in. I am not too quick on mathematics, but it would take a sizable investment to bring in \$250 a month without any expenses.

Mr. BENITEZ. The great satisfaction I have and still have in my experience, sir, is that I have done everything on my hand and I think that I achieved that goal to put the achievement of a lower price of filet mignon on every Puerto Rican plate. That is my own objective and I am very happy to.

Senator CURTIS. But Kentor objects to paying it now. Why is he paying a cent a pound?

Mr. BENITEZ. Senator, as I told you before, for me the business was finished when I put Lopez and Law together.

Senator CURTIS. You say the money is still rolling in?

Mr. BENITEZ. Because they consider, as I consider, it is the same business. So as I was just, they are being just with me.

Senator CURTIS. I understand that Kentor pays only a cent a pound. Who gets that half a cent that Kentor is paying?

Mr. BENITEZ. The same original arrangement, sir; divided by four.

Senator CURTIS. So you only get an eighth of a cent a pound now?

Mr. BENITEZ. I get the amount that we receive. We never question the amount, sir, because this is an agreement.

Senator CURTIS. How is it divided when it is received?

Mr. BENITEZ. I presume—I don't divide it, sir.

Senator CURTIS. Who divides it?

Mr. BENITEZ. Mr. Baker, Mr. Law, and Mr. Webb.

Senator CURTIS. Oh, Mr. Baker divides the money. Does he divide any other money for you?

Mr. BENITEZ. No, sir.

Senator CURTIS. Have you ever heard of the James Barnes Construction Co.?

Mr. BENITEZ. Please, sir?

Senator CURTIS. The James Barnes Construction Co.?

Mr. BENITEZ. No. That don't exist, sir. I heard of James E. Barnes.

Senator CURTIS. You know James E. Barnes?

Mr. BENITEZ. But there is no James Barnes Construction Co.

Senator CURTIS. Tell me about James E. Barnes.

Mr. BENITEZ. What I know of James E. Barnes, that Mr. Paul Aguirre that you mentioned before is the representative of James E. Barnes in Puerto Rico, and they are in the mortgage business and the FHA mortgage business.

Senator CURTIS. But you have seen James E. Barnes?

Mr. BENITEZ. I have met Mr. Barnes; yes, sir.

Senator CURTIS. Where does he live?

Mr. BENITEZ. In Detroit. I met him before 1960—I have not seen him since 1960. He was living in Detroit.

Senator CURTIS. Who got James Barnes and Mr. Aguirre together?

Mr. BENITEZ. I don't know. I wish somebody would put me together with James E. Barnes, instead of Aguirre.

Senator CURTIS. Are you sure you don't know?

Mr. BENITEZ. Absolutely, sir.

Senator CURTIS. Did Baker get them together?

Mr. BENITEZ. No, sir. Let me explain to you, if you please, because this has nothing to do with me except of my knowledge of the Puerto Rican situation.

Mr. Aguirre had been representative of Mr. Barnes to my knowledge since Mr. Barnes came to Puerto Rico, with the help of you Senators when this big housing project, construction was approved for Puerto Rico, the FHA and everything like that. So Mr. Barnes chose Mr. Aguirre. I don't know. I told you before I wish I have.

Senator CURTIS. I didn't quite understand what you meant by saying, and I believe you said it, that you wished that somebody had put you in touch with James E. Barnes.

Mr. BENITEZ. Oh, yes.

Senator CURTIS. Why?

Mr. BENITEZ. Because Mr. Barnes was the first company, the first mortgage company that went to Puerto Rico when the Federal Government opened its door to the FHA guarantee construction in Puerto Rico.

Senator CURTIS. Why do you wish you were in on that?

Mr. BENITEZ. Oh, because Mr. Aguirre is a millionaire today, sir.

Senator CURTIS. So what?

Mr. BENITEZ. Well, I wish I was a millionaire.

Senator CURTIS. You are busy in politics. How would you be affected by getting a builder and a millionaire together and then having Baker clear things with the FHA here?

Mr. BENITEZ. No. Sir, I am sorry, but I have nothing to do with Mr. Barnes and Mr. Aguirre, and I am sure—

Senator CURTIS. But you said you wished you were in on it. Now, why?

Mr. BENITEZ. I told you that I wish when Mr. Barnes went for the first time to Puerto Rico, instead of choosing Mr. Aguirre—I don't know how he chose him—he will have somebody in Washington, probably one of my friends, many friends here will have told Mr. Barnes, "Look, there is a young boy there, very progressive. He is a politician, but convince him in being in your business," he might have convinced you.

Senator CURTIS. Your business transactions are a sideline to your politics?

Mr. BENITEZ. I don't believe in sidelines, sir.

Senator CURTIS. Well, now, has Baker ever performed any business or services for James E. Barnes?

Mr. BENITEZ. Sir, as far as I know, and here I don't want—I want to be exact with you.

Senator CURTIS. As far as you know?

Mr. BENITEZ. I have been out serving my country on the Pacific islands trying to do my best, and I have been completely out of my group. That is one of the reasons that I am coming back now, because the distance have make you lose friends, and especially in politics it will be very dangerous.

Senator CURTIS. When did you come back from the Pacific?

Mr. BENITEZ. I came at the end of the month of May.

Senator CURTIS. May?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. That is almost a year ago.

Mr. BENITEZ. Not quite, sir.

Senator CURTIS. It was May of 1963?

Mr. BENITEZ. Yes, sir, but we are in February.

Senator CURTIS. Yes. Well, since May 1963 you have been back and forth to Puerto Rico?

Mr. BENITEZ. No, sir.

Senator CURTIS. Where have you been?

Mr. BENITEZ. Will you let me explain? I came in May because I have arrived from my vacation after 2 years of service. So I came on my vacation to Puerto Rico. Then after that President Kennedy created what is known as a Presidential task force to see how our Nation will develop the Pacific islands in a more effective and faster way, in order to accomplish our commitment with the United Nations. So

he appointed a task force composed of different experts from this Government, and sent them over there, and they spent over there quite a time, and made a report that is known as the task force report.

Senator CURTIS. All right. Now, here is my question. Since May 1963 you have been back from the Pacific some of the time.

Mr. BENITEZ. Yes, sir.

Senator CURTIS. And this task force, where did they perform their duties?

Mr. BENITEZ. Here, sir.

Senator CURTIS. Here. And so since 1963 you have been back and forth to Puerto Rico a few times?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. And you have been in touch with your friends down there and your friends here?

Mr. BENITEZ. Sir, last week I went to Puerto Rico and announced that I was going to try to get the gubernatorial nomination of one of the existing parties in Puerto Rico, so in 1 week I saw 600 friends of mine, and also I make a television speech of 1 hour to the whole island, and I will tell you that in that week I had contacts in Puerto Rico with at least 2,000 people.

Senator CURTIS. When was that?

Mr. BENITEZ. Last week, sir.

Senator CURTIS. Did you go down with Baker?

Mr. BENITEZ. No, sir. I went by myself.

Senator CURTIS. What did he go down there for recently?

Mr. BENITEZ. I don't know, sir. I didn't see him in Puerto Rico.

Senator CURTIS. You knew he went down?

Mr. BENITEZ. I saw it in the paper when he arrived. I left the day after.

Senator CURTIS. Did you have any other knowledge besides what was in the paper?

Mr. BENITEZ. No, sir.

Senator CURTIS. You never talked to anybody down there with reference to the fact that he was down there?

Mr. BENITEZ. No. Well, some of my friends complained that he had been there and he have not called them.

Senator CURTIS. Who did?

Mr. BENITEZ. Some of my friends.

Senator CURTIS. Who?

Mr. BENITEZ. Well, specifically I cannot tell you the names. Maybe it was Riviera, Gonzales, Garcia.

Senator CURTIS. Which one of your friends did he see?

Mr. BENITEZ. None. They were complaining about it. I don't know where he went myself. I tried to find out. The boys are mad.

Senator CURTIS. Oh, they are mad. Was it a mysterious trip?

Mr. BENITEZ. No. I don't know what idea he had. Maybe he didn't want to be with anybody.

Senator CURTIS. Now, you know Frank Law, of Law & Webb?

Mr. BENITEZ. Yes.

Senator CURTIS. How often have you seen him?

Mr. BENITEZ. Since I came back here in Washington, frequently, sir.

Senator CURTIS. Frequently?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Have you seen James E. Barnes since you came back?

Mr. BENITEZ. No, sir. I don't see Mr. Barnes. Mr. Barnes is an elderly man. I don't see him, I will say, since about 6 months before I left for the Pacific islands.

Senator CURTIS. How about Bedford Weid?

Mr. BENITEZ. He is the owner of the football team? Yes, I saw him at the \$1,000 dinner of the Democratic Party.

Senator CURTIS. You had never seen him before?

Mr. BENITEZ. No, sir.

Senator CURTIS. Now, your friend Paul Aguirre—I don't know if I am pronouncing it right, A-g-u-i-r-r-e—have you seen him in recent months?

Mr. BENITEZ. Yes, sir; I saw him in Puerto Rico.

Senator CURTIS. Have you seen him up here?

Mr. BENITEZ. No, sir; not to my recollection.

Senator CURTIS. Did you ever meet a man named Nick Popich?

Mr. BENITEZ. Not that I recall, sir.

Senator CURTIS. Baker never introduced you to a man named Nick Popich?

Mr. BENITEZ. Who is he, sir?

Senator CURTIS. He is from New Orleans, but I understand that he has been interested in a business venture in Puerto Rico.

Mr. BENITEZ. No, sir; I don't think I have met him.

Senator CURTIS. And it was a business venture with Baker. How about Wilson Abraham; does that name mean anything to you?

Mr. BENITEZ. No, sir.

Senator CURTIS. Warren Neil?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Who is he?

Mr. BENITEZ. Warren Neil is a young American contractor who went to Puerto Rico when this big construction boom started to establish and build the housing project, I mean those FHA programs.

Senator CURTIS. You have known him quite well?

Mr. BENITEZ. Well, I have met him and I think—I hope—he is one of my constituents, sir.

Senator CURTIS. He knows Baker?

Mr. BENITEZ. I think so, sir.

Senator CURTIS. He knows Baker quite well?

Mr. BENITEZ. I don't know, sir.

Senator CURTIS. Have you ever met Mr. Bostick?

Mr. BENITEZ. Mr. Bostick from Washington. Yes, sir; I have met him.

Senator CURTIS. How many times have you met him?

Mr. BENITEZ. Mr. Bostick? Well, I will say that specifically I cannot tell you. I know him. I met him in different social occasions.

Senator CURTIS. At different social occasions?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Several?

Mr. BENITEZ. I will not say that he is my best friend or my good friend. I have met him.

Senator CURTIS. I understand. But you have met him on several social occasions?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Was Baker present?

Mr. BENITEZ. He might have been; might have not been.

Senator CURTIS. Did Baker introduce Bostick to you in the first instance?

Mr. BENITEZ. I don't think so, sir. Let me clarify a point here, Senators, so that we have all this situation clear. Since 1952 I have been the chairman of the Democratic Party of Puerto Rico. At the same time I have been acting as the acting national committeeman, so I have friends in Washington as I have in Puerto Rico plus—and this is very important—that at the end of 1959, I will say at the middle of 1959 I came out for statehood for Puerto Rico that is the Republican platform of the Republicans in Puerto Rico. So I went into a big political quarrel there with my own Democratic Party to speak on that.

So I not only know very well in Washington those Democratic circles, but I know very well, also, the Republican circles. So it is impossible for me to know and tell you exactly like is my intention and you want my answers to be, specifically whether I met this man today or yesterday with this one or the other.

Senator CURTIS. But you had met Bostick several times?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. At the same social gathering?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Now, have you ever met Mr. Fred Black?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Where did you first meet Fred Black?

Mr. BENITEZ. I don't remember, sir. It could have been in Washington; it could have been in one of the Democratic conventions. It could have been someplace here. I don't remember.

Senator CURTIS. Over how long a period of time have you known Fred Black?

Mr. BENITEZ. Well, I would place my relations with Mr. Black exactly as Mr. Bostick; that I know him. I say "hello" with them.

Senator CURTIS. So, something like Mr. Bostick; you have seen him on a number of occasions?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Now, did you know that Robert Baker, Fred Black and Bostick, Warren Neil, Francis Law and James E. Barnes, Bedford Weid, Paul Aguirre, Nick Popich, William Abraham, were interested in a business to be developed some time in the future in Puerto Rico?

Mr. BENITEZ. Not to my knowledge, sir.

Senator CURTIS. Never heard it mentioned?

Mr. BENITEZ. Never heard it mentioned, sir.

Senator CURTIS. Do you know anything about the San Girardo Housing Development in San Juan?

Mr. BENITEZ. Yes, sir; that is the project that I referred to you before that Mr. Warren Neil have built in Puerto Rico, or is building.

Senator CURTIS. Did Baker have a part in that?

Mr. BENITEZ. I don't think so, sir, but I don't know that.

Senator CURTIS. Did you ever hear of the Pasantic Corp.?

Mr. BENITEZ. No, sir. The only Pasantic that I know is these new blades called Pasantic. That do refer to that.

Senator CURTIS. I am referring to a corporation——

Mr. BENITEZ. No, sir; I have no knowledge, sir.

Senator CURTIS (continuing). Created for some development, and it came somewhat to a pause when this investigation started, and I have information that Mr. Robert Baker withdrew from it. You have never heard of that?

Mr. BENITEZ. No, sir.

Senator CURTIS. Well, now, did you ever see a man in Puerto Rico named—and my pronounciation may not be right—"Oterio Rogue"?

Mr. BENITEZ. Oti?

Senator CURTIS. G-t-e-r-i-o is the first name. Rogue, R-o-g-u-e——

Senator SCOTT. That is R-o-q-u-e.

Mr. BENITEZ. Would you please, sir, repeat the name?

Senator CURTIS. O-t-e-r-i-o is the first name. The last name is either R-o-g-u-e or R-o-q-u-e.

Mr. BENITEZ. That is Oterio Roque. I might know him, sir.

Senator CURTIS. You do know him?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Where is his office?

Mr. BENITEZ. I don't know, sir.

Senator CURTIS. Never been in it?

Mr. BENITEZ. No, sir.

Senator CURTIS. Have you ever seen him socially?

Mr. BENITEZ. Yes, sir.

Senator CURTIS. Have you ever seen him at political meetings?

Mr. BENITEZ. I hope he will be with me, sir. I have never seen him at——

Senator CURTIS. Have you ever seen him any place where Robert Baker was present?

Mr. BENITEZ. No, sir.

Senator CURTIS. Never have?

Mr. BENITEZ. May I explain? I know everybody in Puerto Rico. I know the two and a half million people in Puerto Rico.

Senator CURTIS. Do you know this fellow quite well? Don't you? You could find his office, couldn't you?

Mr. BENITEZ. No, sir. No. I know him. I have met him. You see, whenever I come to my island, my people, who I love, and they love me, give me a reception; then you have 200 or 300 people. So Mr. Roque has been in some of these receptions as many others of the hundreds of people.

Senator CURTIS. Did you ever talk about him to Baker?

Mr. BENITEZ. Never in my life, sir.

Senator CURTIS. Now, if we should have in our files a statement by a witness that they called on this man and he inquired about how Robert Baker was, would that indicate anything to you?

Mr. BENITEZ. That he, sir, inquired?

Senator CURTIS. Yes; would you know any connection between the two?

Mr. BENITEZ. I don't think so, sir.

Senator CURTIS. What is this man's business?

Mr. BENITEZ. I think he is a doctor, sir.

Senator CURTIS. That is all.

The CHAIRMAN. Are there any other questions?

Senator SCOTT. I think Senator Curtis wants to make a statement.

Senator CURTIS. I have been handed this on behalf of Senator Cooper. Senator Cooper is attending a meeting of the Presidential Commission investigating the assassination of the President. He wants the record to so register.

The CHAIRMAN. Do you have any questions?

Senator CURTIS. No; I have no questions, Mr. Chairman. We have been over everything twice.

The CHAIRMAN. Counsel, do you have further questions?

Mr. McLENDON. No.

Senator SCOTT. Mr. Chairman, I think that Senator Curtis has covered all of the questions we had, after discussion with minority counsel. It has all been covered, so I have nothing further.

The CHAIRMAN. Thank you.

Mr. Benitez, you may be excused, sir.

Mr. BENITEZ. Thank you very much, sir.

The CHAIRMAN. I want to say to you, sir, we appreciate your coming without subpoena, and your cooperation is very much appreciated.

Mr. BENITEZ. Sir, can I express my gratitude to the committee to have had the patience of listening to me, and will you please any time that I can be of any use, I will be at your services.

The CHAIRMAN. Thank you very much.

Senator SCOTT. If you hear of any more meat deals, you might let the committee know.

The CHAIRMAN. Thank you very much.

Mr. Drennan, will you come forward? Mr. Drennan is a member of the investigating staff. He has been sworn, so we need not go through that procedure. The counsel may start questioning Mr. Drennan.

Mr. McLENDON. Mr. Drennan, have you made an inspection of certain records in the District of Columbia National Bank?

TESTIMONY OF LORIN DRENNAN

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Do you have a collection of them present that you can refer to and identify?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Do you have a copy of a stock subscription for stock in that bank signed by Robert G. Baker?

Mr. DRENNAN. Yes, sir.

(At this point of the proceedings, Senator Curtis left the committee room.)

Mr. McLENDON. Will you refer to it and tell the committee how many shares he subscribed for according to this subscription?

Mr. DRENNAN. 1,700 shares at a price of \$25,500, which is a price of \$15 a share.

Mr. McLENDON. Have you got an extra set of these to give the reporter?

Mark that as "Exhibit No. 1," Mr. Reporter.

(The document referred to was marked "Drennan Exhibit 1," and appears on p. 1160.)

Mr. McLENDON. Do you have another document obtained from the files of the bank showing the amount allotted?

Mr. DRENNAN. Yes, sir; it is dated April 14, 1962. It is a form letter from the organizers of the bank, and it advises Mr. Baker that his subscription for 1,500 shares has been accepted at a price of \$22,500.

Mr. McLENDON. That is signed by Mr. D. E. Snyder on behalf of the organization committee?

Mr. DRENNAN. That is correct.

Mr. McLENDON. It bears the date of August 14, 1962?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Will you mark that No. 2, Mr. Reporter?

(The document referred to was marked "Drennan Exhibit 2," and appears on p. 1161.)

Mr. McLENDON. Do you have a sheet from the stock register of the bank indicating how many shares of stock were issued in Robert G. Baker's name?

Mr. DRENNAN. Yes, sir; I do.

Mr. McLENDON. What does it show?

Mr. DRENNAN. It shows that certificate No. 62 for 1,500 shares was issued in the name of Robert G. Baker.

Mr. McLENDON. Did you ascertain whether that stock in the amount of 1,500 shares is still in his name as far as the bank records show?

Mr. DRENNAN. Yes, sir; it is, and this stock is currently held by the American Security & Trust Co. as collateral for one of Mr. Baker's loans.

Mr. McLENDON. That is another bank?

Mr. DRENNAN. It is another bank; yes, sir.

Mr. McLENDON. Mark that No. 3, Mr. Reporter.

(The document referred to was marked "Drennan Exhibit 3," and appears on p. 1162.)

Mr. McLENDON. Did you find any record in the District of Columbia National Bank that any part of the 1,500 shares had been transferred to anyone?

Mr. DRENNAN. No, sir. It is all registered in his name, in the certificate of his name.

Mr. McLENDON. All in his name?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Did you find in the records of the bank a memorandum bearing two dates, the first date is March 11, 1963, the second date is March 12, 1963, entitled "Robert G. Baker" and carrying the initials WFC?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. What person are those initials for, if you know?

Mr. DRENNAN. These are the initials of Mr. William Collins, the vice president and cashier of the District of Columbia National Bank.

Mr. McLENDON. Will you mark that, Mr. Reporter?

(The document referred to was marked "Drennan Exhibit 4," and appears on pp. 1163 and 1164.)

Mr. McLENDON. Does that statement refer to a financial statement of Robert G. Baker?

Mr. DRENNAN. Yes, sir; in the first paragraph, the financial statement showing the net worth of \$2,166,000 is referred to.

Mr. McLENDON. And does it give certain other information about what the statement shows with respect to borrowings and collateral?

Mr. DRENNAN. Yes, sir. It gives some details on the items in the financial statement.

Mr. McLENDON. Are you able to tell the committee that these references identify the financial statement of Robert G. Baker which has already been put in evidence?

Mr. DRENNAN. Yes, sir. These amounts are identical with a financial statement dated February 1, 1963, which we submitted into the record on January 23 of this year, which was obtained from another bank.

Mr. McLENDON. This document refers to the fact that the loan committee approved extension of the above-described loan of \$125,000 to Mr. and Mrs. Baker. Does it indicate what the loan of \$125,000 was secured by?

Mr. DRENNAN. I believe this memorandum indicates what it was planned to be secured by.

Mr. McLENDON. What was that?

Mr. DRENNAN. This would be a mortgage on the house that Mr. Baker was to buy at 5115 Van Ness Street NW.

Mr. McLENDON. Did you find in the records of the bank a note dated April 22, 1963, signed by Robert G. Baker and his wife, Dorothy C. Baker, in the principal sum of \$125,000?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Will you mark that document, Mr. Reporter? That will be No. 5.

(The document referred to was marked "Drennan Exhibit No. 5," and appears on p. 1165.)

Mr. McLENDON. Did you find where that amount, the proceeds from that amount, had been deposited to the credit of Robert G. Baker in the bank?

Mr. DRENNAN. Yes, sir; we had a copy of the deposit slip for \$125,000 dated April 26, 1963, which is credited to Mr. Baker's checking account at the District of Columbia National Bank.

Mr. McLENDON. Did you find a credit entry in the bank for that amount of money, \$125,000?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Whose name is that credit entry made in?

Mr. DRENNAN. This is to the account of Robert G. Baker.

Mr. McLENDON. And did you find a record of a check in the same amount drawn by Robert G. Baker payable to Ernest C. Tucker?

Mr. DRENNAN. Yes, sir. We have a check dated April 23, 1963, to Mr. Ernest C. Tucker for \$125,500, and it is marked at the bottom "trustee."

(At this point of the proceedings, Senator Pell entered the committee room.)

Mr. McLENDON. The word "trustee" is on the check?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Mark those two documents No. 6, Mr. Reporter.

(The documents referred to were marked "Drennan Exhibit 6," and appears on p. 1166.)

DRENNAN EXHIBIT 1

DISTRICT OF COLUMBIA NATIONAL BANK (Proposed)
WASHINGTON, D. C.

STOCK SUBSCRIPTION

I/we the undersigned subscriber(s), do hereby agree to purchase the number of shares of stock of the
District of Columbia National Bank (Proposed)
Washington, D. C.

set opposite my name below and to pay for the same at the rate of Fifteen Dollars (\$15.00) per share. It is understood that, at the time of organization of the said Bank, 200,000 shares of stock will be issued and that the initial capital of the above Bank will aggregate \$3,000,000 and will consist of \$2,000,000 capital stock, paid-in surplus of \$750,000 and undivided profits of \$250,000. The stock to be issued will be sold for Fifteen Dollars (\$15.00) per share, in accordance with the application submitted for the Bank Charter and the preliminary approval of the Comptroller of the Currency.

It is also understood and agreed that the stock of the above Bank will be allotted to subscribers by the Organization Committee of said Bank and the subscriber agrees to accept, purchase and pay for the number of shares that may be allotted to subscriber by said Organization Committee not in excess of the number of shares and amount set forth below which shall be the maximum subscription of subscriber. It is also understood and agreed that the subscriber will not be entitled to purchase any shares in the above Bank unless and until the said Organization Committee shall have accepted this subscription in whole or in part and shall have allotted shares of stock to subscriber and shall have notified subscriber of the acceptance of his subscription and the allotment of shares to him, and that such notice shall be sent to subscriber at his address set forth below.

It is further understood and agreed that payment for the shares to be purchased under the terms of this Agreement will be made by the subscriber, in cash, within Fifteen (15) days from the date of Notice of Acceptance of his subscription by the Organization Committee of said Bank.

1700 No. of Shares	<u>Robert G. Baker</u> Signature of Subscriber
\$ 25,500 Total Amount	_____ Signature of Subscriber
<u>Walter Stewart</u> Witness	<u>Robert G. Baker</u> Printed or typed Name of Subscriber
_____ Witness	<u>2000 P. St. N.W. Suite 605</u> Street Address
Date	<u>Washington</u> <u>D. C.</u> City Zone State
<u>Max Kampelman</u> Name of Reference	

NOTES AND INFORMATION FOR SUBSCRIBER

Please note that the subscription agreement should bear the signature of the subscriber which must be witnessed.

Kindly print or type name of subscriber beneath the signature of subscriber so that errors in reading the signature will be avoided.

Subscriptions should be mailed or delivered to:

Organization Committee
DISTRICT OF COLUMBIA NATIONAL BANK (Proposed)
919 18th Street, N.W.
Washington 6, D. C.

PAYMENT FOR SHARES SHOULD NOT BE ENCLOSED WITH SUBSCRIPTION

Payment for shares will not be due until subscriber receives from the Organization Committee a Notice of Acceptance of his subscription, which will inform the subscriber the amount of shares allotted to him and the amount due in payment of said subscription. The Organization Committee of the Bank reserves the right to accept any subscription in whole or in part or to reject any subscription in its entirety.

If, after the allotment of shares to subscriber, the subscriber shall fail to pay for all of shares allotted to him as required by the subscription agreement, the Organization Committee may, in its discretion, cancel such allotment and subscription.

DRENNAN EXHIBIT 2

District of Columbia National Bank
(PROPOSED)

MAY 4 1962
pk

April 14, 1962

Robert G. Baker
2000 P Street, N. W., Suite 605
Washington, D. C.

Amount of Subscription Accepted:

1,500	\$ 22,500.00
No. of Shares	Amount

DEAR PROSPECTIVE STOCKHOLDER:

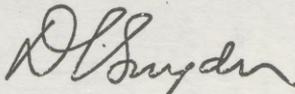
This will acknowledge receipt of your subscription for stock in the District of Columbia National Bank, Washington. The Organization Committee has accepted your subscription for the number of shares as set forth above. Payment, in full, is required to be made not later than May 1, 1962, in the amount set forth above and should be mailed promptly to us at 919-18th Street, N. W., Washington 3, D. C. An addressed envelope is enclosed for your convenience. Check should be made payable to:

DISTRICT OF COLUMBIA NATIONAL BANK, WASHINGTON

Payment in full for the shares allotted to you must be received not later than May 1, 1962.

RETURN THIS FORM WITH YOUR CHECK. Retain the copy for your files.

Very truly yours,



D. E. SNYDER,
On Behalf of the Organization Committee

KINDLY INDICATE BELOW THE EXACT NAME OR NAMES IN WHICH STOCK SHOULD BE ISSUED, THE NUMBER OF SHARES FOR EACH NAME, AND ANY SPECIAL DESIGNATION OF CAPACITY, SUCH AS JOINT TENANTS, TENANTS IN COMMON, ETC.

PLEASE PRINT

NAME Robert G. Baker Individually
 STREET ADDRESS 2000 P. St. N.W. Suite 605 Joint Tenants
 CITY AND STATE Washington D.C. Tenants in Common
 NO. OF SHARES 1,500
 NAME Robert G. Baker Individually
 STREET ADDRESS _____ Joint Tenants
 CITY AND STATE _____ Tenants in Common
 NO. OF SHARES _____

NO CARBON PAPER NECESSARY

DRENNAN EXHIBIT 4

ROBERT G. BAKER

March 11, 1963
WFC

Mr. Robert G. Baker has requested the Bank's consideration of a loan in the amount of \$125,000, purpose of which is to furnish cash means in order to make and complete the very favorable purchase from his viewpoint of a new residence located at 5115 Van Ness Street, N.W., Washington, D.C. The property is described to me as superior in location, construction, and attractiveness of neighborhood, is several years old, but has never been occupied, due to the fact that Washington resident officer of a large utility company for whom it was built by the employer is no longer located here nor is it intended by the employer that they should in the future have a resident officer in this area. Mr. Baker prefers not to employ normal mortgage financing in this transaction, tho he has a standing commitment from a local lender to make a very large mortgage at any time that it might be desired within the next several years. Mr. Baker has given us his personal financial statement showing a net worth of \$2,166,000 and current assets of \$2,158,000 versus current liabilities of \$364,000. The larger proportion of current assets consist of miscellaneous stocks representing investments, the majority of which is pledged to secure present bank borrowings totaling \$290,000 out of the aggregate of \$364,000 of current liabilities. The largest individual asset in Mr. Baker's personal statement is stock ownership in Serv-U Corporation, a California concern who are in the machine vending business and while a relatively new enterprise is operating profitably and is shortly intending to come into the Eastern Seaboard area where it is felt that their efforts should meet with at least equal success to that which they have had on the West Coast. In making this loan, if approved, it would be intended that we should have a first mortgage on the property to be acquired as well as the personal responsibility of both Mr. and Mrs. Baker and that the loan would be for a relatively short period of time, although exact terms have not been discussed.

Mr. Baker's position within the U.S. Government recommends our serious consideration to the transaction as he is a gentleman with innumerable friendships and connections whose good offices in behalf of our Bank could be very valuable in our growth.

Mr. Baker also owns 1500 shares of the capital stock of this Bank. 

March 12, 1963
WFC

The Loan Committee approved extension of the above described loan of \$125,000 to Mr. and Mrs. Baker with side collateral to consist of first mortgage upon the residence being purchased and with the requirement that in the deal interest on the loan is to be paid monthly, that notes be drawn for six months maturity, with curtailment though not in any certain form and with the understanding with the borrowers that the loan would be completely retired in an approximate 2 years. The Bank has not required payment of loan commission or points, but does require that Mr. Baker shall pay all costs involved in the making of the loan including the bank's attorney's fees.

DRENNAN EXHIBIT 5

ROBERT G. BAKER

April 22, 1963

WFC

In regard to our lending Mr. Baker the \$125,000.00 referred to above, it has been determined that insofar as the manner in which title is now vested in the property being purchased is concerned, we will make the loan on an unsecured basis for the present, with the note to be signed by both Mr. and Mrs. Baker and with the understanding that no encumbrance will be placed or permitted to exist without our prior knowledge and consent. Further, that upon our request in any case, if in our interests, Mr. and Mrs. Baker will convert the debt to the mortgage available from other source and retire the loan. Mr. Baker understands our need for loan movement and turnover position and feels this arrangement is fair to both of us.

DRENNAN EXHIBIT 6

CREDIT *2 fees # 374* DISTRICT OF COLUMBIA NATIONAL BANK, WASHINGTON DATE *4-22* 19*63*

ACCOUNT OF *1 1/2 % of 1300* **XXXX**

ISSUED BY *Dorothy C Baker* DUE DATE *2 yrs 5 3/4* DATE OF EXCHANGE *4-22-65* AMOUNT OF ITEM *125 000* NET PROCEEDS

NEW LOAN RENEWED INCREASED OTHER CREDIT *125 000*

NO. *April 23 1963* **XXXX**

PAY TO THE ORDER OF *Ernest C. Tucker* \$ *125,500*

One hundred twenty five thousand five hundred ⁰⁰/₁₀₀ DOLLARS

DISTRICT OF COLUMBIA *Ernest C. Tucker*

Tucker **XXXX** *Robert S. Baker*

DISTRICT OF COLUMBIA
ERNEST C. TUCKER

Mr. McLENDON. Did you find a check drawn by Ernest C. Tucker on his bank account payable to the Realty Title Insurance Co. in the amount of \$125,500?

Mr. DRENNAN. And 50 cents; yes, sir.

Mr. McLENDON. And did you find a deposit slip for the same amount dated April 23, 1963?

Mr. DRENNAN. Major, what we have is the \$125,500 check that Mr. Baker wrote to Mr. Tucker was deposited into Mr. Tucker's account on April 23, 1963, and we have that deposit slip. On the same date Mr. Tucker wrote a check to the Realty Title Insurance Co. for \$125,500.50 for the purchase of the Van Ness Street house.

Mr. McLENDON. Mark that, please.

(The document referred to was marked "Drennan Exhibit 7," and appears on p. 1169.)

Mr. McLENDON. Now, will you tell the committee, Mr. Drennan, what you found in the bank with respect to the conveyance of this property on Van Ness Street, and to whom it was conveyed?

Mr. DRENNAN. Yes, sir. In this transaction Mr. Tucker acted as trustee for Mr. Baker. It is a somewhat complicated transaction, which I think Mr. Collins can somewhat better explain than I can, but I will refer to the four principal documents involved in the trustee arrangements. The first document is a deed of trust dated September 13, 1962, between W.C. & A.N. Miller Development Co.—

Mr. McLENDON. That is Miller, M-i-l-l-e-r?

Mr. DRENNAN. Miller, and Joseph A. DiCesare as trustee for the Ten Ten Travis Corp., under an unrecorded trust agreement dated September 13, 1962.

This deed of trust is signed by Mr. DiCesare and Mr. William C. Miller, and was recorded in the Office of the Recorder of Deeds on September 17, 1962. This transaction represents the arrangement under which the house was initially purchased from the constructor, the Miller Co., and we have a copy of that document for the record.

Mr. McLENDON. Mark that No. 8.

(The document referred to was marked "Drennan Exhibit 8," and appears on pp. 1170-1177.)

Mr. McLENDON. What did you next find happened to that property?

Mr. DRENNAN. The next deed that we have is dated April 23, 1963, and it is between Joseph A. DiCesare, the trustee, and Ernest C. Tucker as trustee under an unrecorded deed of trust dated April 22, 1962. This document is signed by Mr. DiCesare and also by Mr. W. D. Walter, vice president of the Ten Ten Travis Corp. This deed was recorded on April 30, 1963. So at this point Mr. Tucker now holds title to the property under an unrecorded trust agreement.

Mr. McLENDON. Is that the status of it as far as the records show at the moment?

Mr. DRENNAN. No, sir. The third document we have is a quitclaim deed dated on the same date, April 23, 1963, from Loraine H. Tucker to Ernest C. Tucker, which waives Mrs. Tucker's dower rights in the Van Ness Street house under the trustee agreement that I previously referred to.

On the same date we have a deed dated April 23, 1963, between Ernest C. Tucker and Mr. William F. Collins, who is the vice president

of the District of Columbia National Bank. Both of these last two documents that I referred to are dated April 23, 1963, but were unrecorded until January 17, 1964, at which date they were recorded. And we have a copy of the latest deed, the one between Mr. Tucker and Mr. Collins, which I will introduce into the record.

Mr. McLENDON. Mark that, Mr. Reporter.

(The document referred to was marked "Drennan Exhibit 9," and appears on pp. 1178-1179.)

Mr. McLENDON. As far as the records show, is this deed from Ernest Tucker to Mr. William F. Collins the latest conveyance of the property, the most recent conveyance?

Mr. DRENNAN. Yes, sir; it is.

Mr. McLENDON. And the title of the property is in that state now as far as the records show?

Mr. DRENNAN. Yes, sir; the title of the property is in Mr. William F. Collins' name.

Mr. McLENDON. Now, Mr. Drennan, will you tell the committee what other loans you found in the bank that had been made to Mr. Baker?

Mr. DRENNAN. There is one other loan made directly to Mr. Baker, and in that connection we have a memorandum, dated July 19, 1963, again with the initials W. F. C., which is Mr. Collins' initials, relating to the loan. The loan was for \$10,000 for 90 days. It was dated October 14, 1963. This loan I understand has subsequently been renewed. As semicollateral on this loan, Mr. Baker gave to the bank a note to him from Mr. Staley B. Brinkley, Jr., dated August 15, 1962.

Mr. McLENDON. In what amount?

Mr. DRENNAN. \$11,111.11. This note is payable in 3 years with interest at the rate of 4.25 percent per annum until paid, and I believe Mr. Tucker in his testimony has referred to this particular transaction with Mr. Brinkley.

Mr. McLENDON. I believe Mr. Tucker testified it was actually his obligation; did he not?

Mr. DRENNAN. Mr. Tucker testified that it was Mr. Tucker's, I believe; yes, sir.

Mr. McLENDON. The memorandum to which you referred, No. 10, refers to the note "left with us by Mr. Baker as additional or side collateral would not have a distinctive collateral value in the usual sense"?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Does it also say that this is advanced to Mr. Baker "as a personal accommodation and I have not required of him at this time definite terms of retirement"?

Mr. DRENNAN. Yes; it does.

Mr. McLENDON. Do you have a copy of the note referred to in that memorandum in the amount of \$10,000 signed by Robert G. Baker?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. And does that recite as collateral note signed by Staley B. Brinkley, Jr., and Frances S. Brinkley in the amount of \$11,111.11?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Is that the same note that Mr. Tucker testified that Brinkley had given to Baker?

DRENNAN EXHIBIT 7

Form No. 53222B

DEPOSITED BY
**DISTRICT OF COLUMBIA NATIONAL BANK,
 WASHINGTON**

Subject to the Rules and Regulations of the Bank
 governing Deposits Deposits credited on reverse.

DATE 4/23 1963

CURRENCY	DOLLARS	CENTS
COIN		
CHECKS LIST SEPARATELY		
<i>15/120/511</i>	<i>125,500</i>	<i>00</i>
TOTAL		<i>125,500.00</i>

ERNEST C. TUCKER
 8500 F ST. N.W.
 SUITE 203
 WASHINGTON & D. C.

CREDIT ACCOUNT OF

ADDRESS
 WASHINGTON & D. C.

ACCOUNT No. **XXXX**

DEFER DA FLOAT ITEMS

ERNEST C. TUCKER
 2000 P. ST. N. W.
 WASHINGTON 6, D. C.

April 23, 1963

REALTY TITLE INSURANCE CO., INC.
 DISTRICT OF COLUMBIA
 National Bank, WASHINGTON

8,125,500.⁰⁰

XXXXXXXXXXXXXXXXXXXX

FOR DEPOSIT ONLY
 REALTY TITLE INSURANCE CO., INC.
 NATIONAL BANK, WASHINGTON

284
2938-4

BOOK PAGE Sep. 17 2 38 PM '62
11868 399

This Deed IN TRUST made this 13th day of September

In the year Nineteen hundred and Sixty-two, by and between W.C. AND A.V. MILLER DEVELOPMENT COMPANY, a body corporate, duly incorporated under the laws in force in the State of Delaware, acting herein pursuant to Resolutions of its Board of Directors, party hereto of the first part; and JOSEPH A. DI CESARE, Trustee under an unrecorded Trust Agreement dated September 13, 1962, between TEN TEN TRAVIS CORPORATION, a body corporate, duly incorporated under the laws in force in the State of Delaware, Trustor and JOSEPH A. DI CESARE, Trustee, party hereto of the second part;



Witnesseth, that for and in consideration of the sum of TEN

Dollars of the said part Y of the first part, do RS grant unto the said part Y of the second part, in fee simple as Trustee

the following described land and premises, with the improvements, easements and appurtenances thereunto belonging, situate in the District of Columbia, namely: Part of Lot 26 in the subdivision of parts of the tracts of land called "Friendship", "St. Philip and Jacob" made by the Receivers in Equity Cause No. 2764 in the United States District Court for the District of Columbia and recorded in Liber Levy Court No. 2 folio 68 of the Records of the Office of the Surveyor of the District of Columbia, described in accordance with a Plat of Survey recorded in Survey Book 181 page 169 and revised in accordance with Plat of Survey recorded in Survey Book 175 page 138 of the said Surveyor's Office Records as follows:

Beginning for the same in the Northernly line of Van Ness Street



DRENNAN EXHIBIT 8—Continued

BOOK PAGE

11868 399

as dedicated and shown on plat recorded in Liber No. 137 folio 130 of said Surveyor's Office Records, at the end of the three following courses and distances from the Westerly line of 50th Street, as dedicated and shown on said plat recorded in Liber No. 137 folio 130 of said Surveyor's Office Records: (1) Westerly on the arc of a circle deflecting to the right the radius of which is 1586.49 feet, an arc distance of 305.00 feet to a point of reverse curve; (2) still Westerly on the arc of a circle deflecting to the left, the radius of which is 775.0 feet, an arc distance of 269.02 feet to a point of tangent; (3) South 82 degrees 00 minutes 00 seconds West 44.21 feet to the place of beginning; thence along the Northerly line of Van Ness Street South 82 degrees 00 minutes 00 seconds West 120.0 feet to a peg; thence North 8 degrees 00 minutes 00 seconds West 135.0 feet to a peg; thence North 82 degrees 00 minutes 00 seconds East 120.0 feet to a peg; and thence Southeasterly 135.0 feet to a drill hole in top of curb and the place of beginning.

Subject to the building restriction line as established and shown on plat recorded in Liber No. 137 folio 130 of said Surveyor's Office Records.

Further subject to the Agreement in the Dedication recorded in Liber No. 137 folio 130 of said Surveyor's Office Records, that the area between said restriction line and the line of the street shall be subject to the regulations, restrictions and conditions as expressed in the Act of Congress of May 31, 1900, 31 Statutes at Large page 249.

Subject to the Right of Way granted The Chesapeake and Potomac Telephone Company and Potomac Electric Power Company by deed dated May 22, 1962 and recorded May 24, 1962 as Instrument #16465 among the Land Records of the District of Columbia.

AND the said party hereto of the second part, as evidenced by his signing and sealing these presents, for himself, his successors and assigns, does hereby covenant and agree as follows:-

-----11868 400-----

FIRST. That said lot or lots shall be used exclusively for private dwelling-house purposes; that no improvement of any character shall be erected thereon, and none begun, nor any change made in the exterior design of such improvements after original construction has begun, unless and until the architect designing the same; the cost, type and size thereof; the materials to be used in the construction; the color scheme; the plans, specifications and details thereof, and the lot plan, showing the proposed location of the dwelling and driveways upon the lot, shall all have been approved in writing by the W. C. and A. N. Miller Development Company, or its successors, and copies of said plans, specifications, and details shall have been lodged permanently with said company.

SECOND. No outbuildings, except a private garage for the exclusive use of the owner, shall be erected, placed, or suffered to remain upon said premises; nor shall such garage be erected, placed, or suffered to remain upon said premises, unless and until the size, type, cost, materials of construction, color scheme therefor, the plans and specification for such structure, and the location of said garage upon the lot shall have been approved in writing by the said W. C. and A. N. Miller Development Company; nor, unless the written consent of said company be first had and obtained, shall any such garage be erected, placed or suffered to remain upon said premises, nearer to the side lines of any adjoining lot than the side lines of the dwelling, except, however, that where it would be impracticable to locate the garage upon said premises without violating the foregoing provisions, by reason of the dimensions of the lot, then said garage may be located thereon in such place as the W. C. and A. N. Miller Development Company shall direct.

THIRD. No place of public entertainment, apartment house, flat, boarding house, nor building designed for the residence of more than one family, and no hotel, tavern, dance hall, or other resort, shall be erected, established, conducted, maintained, or suffered to remain upon said premises.

FOURTH. No lot of the property hereby conveyed shall be occupied, leased, rented, conveyed, or otherwise alienated, except conveyance by Deeds of Trust, nor shall the title or possession thereof pass to another without the written consent of the W. C. and A. N. Miller Development Company, except in case of a sale for default under terms of any Deed of Trust, except that said Company may not withhold such consent, if a written request has been made to it to permit such occupation, leasing, renting, conveying, or alienation, signed by a majority of the owners of the lots which are subject to the same restrictions as the property hereby conveyed, and which adjoin or face said lot upon both sides of the street, or streets, and within a distance of five lots from the side lines thereof.

11868 401

FIFTH. It is hereby agreed and understood; that the rights herein reserved to the W. C. and A. N. Miller Development Company shall pass with equal force and effect to, and inure to the benefit of, its successors, but that, in the event the ownership and control of the rights hereby reserved pass from said company, either by reason of the appointment of a receiver, an assignment for the benefit of creditors, bankruptcy, or by sale under legal process of any kind, or by the transfer of the ownership of a majority stock to other interests, or otherwise, the provision for consents by the W. C. and A. N. Miller Development Company herein provided for shall be deemed to be sufficiently obtained, if obtained from a majority of the owners of said adjoining and facing lots, as aforesaid in paragraph No. 4, and thenceforth the right to enforce restrictions in this section of this deed contained shall immediately pass to the owners of the said adjoining and facing lots, as aforesaid in paragraph No. 4, and be exercised by the written consent of the majority of the owners holding title to said adjoining and facing lots.

SIXTH. No nuisance, advertising sign, billboard, or other device shall be permitted, erected, placed, or suffered to remain upon said premises; nor shall the premises be used in any way for any purpose which may endanger the health, or unreasonably disturb the quiet, of any owner of the adjoining or adjacent land.

SEVENTH. No heating apparatus, in or for, any building upon the premises hereby conveyed, shall be fired and operated with anything other than smoke-free fuel, unless such apparatus be equipped, operated, and maintained, with adequate devices that eliminate smoke.

EIGHTH. No line fence, or wall, of any kind shall be erected, placed, or suffered to remain, upon said premises, unless and until the written consent of the W. C. and A. N. Miller Development Company be first had and obtained therefor.

NINTH. Only one dwelling house shall be erected, placed, or suffered to remain upon the land hereby conveyed, unless the land shall be subdivided into smaller lots, but the land shall not be so subdivided unless and until the plat showing such proposed subdivision shall have been submitted to the W. C. and A. N. Miller Development Company, and the written consent of said Company for such subdivision has been first obtained. The W. C. and A. N. Miller Development Company shall be the sole judge of whether or not such subdivision shall be permitted and if the subdivision of said land is made, the protective covenants, herein contained, shall apply to each of the lots into which said land shall be subdivided.

TENTH. The W. C. and A. N. Miller Development Company expressly reserves to itself, and its successors, the sole and exclusive right to establish grades and slopes on the land hereby conveyed, and to fix the grade at which any dwelling shall hereafter be erected, or placed thereon, so that the same shall conform to a general plan.

11868 402

ELEVENTH. The W. C. and A. N. Miller Development Company expressly reserves to itself, and its successors, and it is hereby granted the right, in case of any violation of any of the conditions, or, upon a breach of any of the covenants or agreements herein contained, to enter the property upon which, or as to which, such violation or breach exists, and to summarily abate and/or remove the condition or thing, that may exist or be thereon, contrary to the intent and meaning of the provisions hereof, as interpreted by said company. The W. C. and A. N. Miller Development Company shall not, by reason thereof, be deemed guilty of any manner of trespassing for such entrance, abatement, or removal, which shall be at the cost and expense of the owner of the property. Failure by the W. C. and A. N. Miller Development Company to enforce any of the covenants or conditions of this deed shall in no event be deemed a waiver of the right to do so thereafter, or of the covenant or condition itself.

TWELFTH. No part of the land hereby conveyed shall ever be used, or occupied by, or sold, demised, transferred, conveyed unto, or in trust for, leased, or rented, or given, to negroes, or any person or persons, of negro blood or extraction, or to any person of the Semitic Race, blood, or origin, which racial description shall be deemed to include Armenians, Jews, Hebrews, Persians and Syrians, except that; this paragraph shall not be held to exclude partial occupancy of the premises by domestic servants of the owners thereof, their heirs and assigns.

THIRTEENTH. The herein enumerated protective covenants shall apply only to lots in the above mentioned subdivision and shall bind the owners thereof, their heirs and assigns, _____ until the first day of January 1954 _____, in any event; and continuously thereafter, unless and until, any proposed change shall have been approved in writing by the owners of the legal title to all the land on both sides of the street within the block in which is located the property, the use of which is sought to be altered by said proposed change.

FOURTEENTH. That, in order to facilitate operation of the covenant numbered "Fourth", above, the grantee covenants for himself, his heirs and assigns that in the event, at any time, he or they shall desire to lease, rent or sell to another, the said property hereby conveyed to him, he or they will appoint the said W.C. and A.N. Miller Development Company agent for such purpose.

NOTE: At the date hereof the above described property is designated on the Records of the Assessor of the District of Columbia, for taxation purposes, as Part of Parcel 8/95.

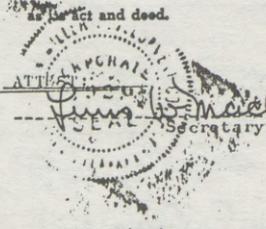
DRENNAN EXHIBIT 8—Continued

11868 403

To have and to hold, the said land and premises, with the improvements, easements and appurtenances, unto and to the use of the said part Y hereto of the second part, in fee simple, as Trustees as aforesaid; IN TRUST NEVERTHELESS, in and upon the trusts, for the uses and purposes and with like powers and duties (with respect to the property hereby conveyed) as are set forth and declared in the above mentioned unrecorded Trust Agreement, dated September 13, 1962, with respect to the property thereby conveyed) and with like force and effect as if said Trusts, uses and purposes, powers and duties, were herein repeated in so many words.

And the said party hereto of the first part, hereby covenant to warrant especially the property hereby conveyed, and to execute such further assurances of said land as may be requisite.

In Testimony Whereof, on the day and year first hereinabove written, the said W.C. AND A.N. MILLER DEVELOPMENT COMPANY, has caused these presents to be signed with its Corporate name by WILLIAM C. MILLER, its Vice President, attested by LEWIS W. MACHIR, its Secretary, and its Corporate Seal to be hereunto affixed, and does hereby constitute and appoint WILLIAM C. MILLER, its true and lawful Attorney in fact for it and in its name to appear before any officer authorized by law to take and certify acknowledgments of conveyances of land in the District of Columbia, and then and there to acknowledge and deliver these presents as the act and deed.



W.C. AND A.N. MILLER DEVELOPMENT COMPANY,
 BY: William C. Miller
 (William C. Miller) Vice President
Lewis W. Machir
 Secretary

Joseph A. DeLesare (SEAL)
 Trustee under unrecorded Trust Agreement

THIS IS TO CERTIFY that the foregoing and annexed was adopted and delivered pursuant to Resolutions adopted by the Board of Directors W.C. AND A.N. MILLER DEVELOPMENT COMPANY.

Lewis W. Machir
 (Lewis W. Machir) Secretary

11868 404

DISTRICT OF COLUMBIA:

To wit:

I, RALPH G. FALLONE a Notary Public

in and for the District aforesaid, do hereby certify that

WILLIAM C. MILLER, who is personally well

known to me to be the person named as Attorney in fact in the foregoing and annexed Deed dated the 13th day of September, A. D. 1962, to

acknowledge the same, personally appeared before me in the said District,

----- aforesaid, and as Attorney in fact as aforesaid, and by virtue of the power and authority in him vested by the aforesaid Deed, acknowledged the same to be the act and deed of W.C. AND A.N. MILLER DEVELOPMENT COMPANY,

the Corporation grantor-----therein, and delivered the same as such.

Given under my hand and official seal, this 14th day of September

A. D. 1962

Ralph G. Falone



DRENNAN EXHIBIT 8—Continued

BOOK PAGE
41868 405

194
93884
Deed
IN TRUST

W. C. AND A. N. MILLER

DEVELOPMENT COMPANY

TO
JOSEPH A. DI CESARE Trustee
under an unrecorded Trust
Agreement between Ten Ten
Travis Corporation and
Joseph A. Di Cesare,

Received for Record on the
day of SEP 17 A. D. 1962
at 11:00 o'clock M. and recorded in
Liber No. 11868 at folio 378
one of the Lead Records for the District
of Columbia, and examined by
John S. Redkey
Recorder.

The Columbia Title Insurance Company
The Real Estate Title Insurance Company
1422 H STREET N. W. WASHINGTON 5, D. C.

193, 665
PRESS OF HUGH S. ADAMS, WASHINGTON, D. C.

SEP-17-62 212344 A • 29384 -- Deed 800
SEP-17-62 212345 A • 29384 -- Tr -- 602.03



BOOK 712

JAN 10 10 08 AM '64

BOOK PAGE

This Deed

Made this 12th day of 138 593

23rd day of

April

in the year 1963

by and between Ernest C. Tucker, Trustee, acting in accordance with an unrecorded Trust Agreement dated April 22, 1963

party of the first part, and William F. Collins, ~~agent~~

party of the second part:

Witnesseth, that for and in consideration of the sum of Ten Dollars (\$10.00), receipt whereof is hereby acknowledged, the said party of the first part does grant unto the said party of the second part, in fee simple, the following described land and premises, situate in the District of Columbia and known and distinguished as

Part of Lot numbered Twenty-six (26) in the subdivision of parts of the tracts of land called "Friendship", "St. Philip and Jacob", made by the Receiver in Equity Cause No. 2764 in the United States District Court for the District of Columbia and recorded in Liber Levy Court 2 at folio 68 in the Office of the Surveyor for the District of Columbia described in accordance with a plat of survey recorded in Survey Book 181 at page 169 in the Surveyor's Office, as Follows: Beginning for the same in the northerly line of Van Ness Street as dedicated and shown on plat recorded in Liber 137 at folio 130 of the said Surveyor's Office Records, at the end of the three following courses and distances from the westerly line of 50th Street, as dedicated and shown on said plat recorded in Liber 137 at folio 130 of said Surveyor's Office Records: (1) westerly on the arc of a circle deflecting to the right the radius of which is 1586.49 feet, an arc distance of 305.00 feet to a point of reverse curve; (2) still westerly on the arc of a circle deflecting to the left, the radius of which is 775.0 feet, an arc distance of 269.02 feet to a point of tangent; (3) South 82°00'00" west 44.21 feet to the place of beginning; thence along the northerly line of Van Ness Street, South 82°00'00" west 120 feet to a peg; thence North 8°00'00" west 135.0 feet to a peg; thence North 82°00'00" east 120 feet to a peg; thence southeasterly 130.0 feet to a drill hole in top of curb and the place of beginning. Said property being now known for assessment and taxation purposes as Lot numbered Eight Hundred Nineteen (819) in Square numbered Fourteen Hundred Sixty-seven (1467).

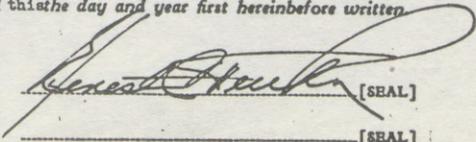
Together with all and singular the ways, easements, rights, privileges and appurtenances to the same belonging or in anywise appertaining, and all the estate, right, title, interest, and claim, either at law or in equity, or otherwise however, of the said party of the first part, of, in, to, or out of the said land and premises.

And the said party of the first part covenants that he will warrant specially the property hereby conveyed; and that he will execute such further assurances of said land as may be requisite.

Witness my hand and seal this 10th day of April first hereinbefore written

Witness:

.....


[SEAL]

.....

[SEAL]

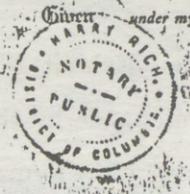
DRENNAN EXHIBIT 9—Continued

.....
 District of Columbia to wit: BOOK PAGE
12138. 594

I, Harry Rich a Notary Public in and for
 the District of Columbia DO HEREBY CERTIFY that
 Ernest C. Tucker, Trustee party to a certain Deed bearing
 date on the 23rd day of April 1963, and hereto annexed,
 personally appeared before me in said District, the said Ernest C. Tucker, Trustee

being personally well known to me as the person who
 executed the said Deed, and acknowledged the same to be his act and deed.

GIVEN under my hand and seal this 23rd day of April 1963.



Harry Rich
 Notary Public.
 by com 24/12/68

No. S.S.F. of F.S.F. T.T.

<p style="text-align: center; font-weight: bold;">Deed in Fee</p> <p style="text-align: center;">FROM</p> <p style="text-align: center;">To</p>	<p>Retrieved for Record on the _____ day of _____ A. D. 19____ at _____ o'clock _____ M., and recorded in Liber No. <u>12138</u> at Folio <u>593</u> at sec. one of the Land Books for <i>Walter S. Ridley</i> Recorder, et</p>	<p style="text-align: right;">JAN 17 10 09 AM '64</p> <p>Keady Title Insurance Company, Inc. WASHINGTON OFFICES 1424 K STREET, N.W. 2201 WISCONSIN AVENUE, N.W. 709 KENNEDY STREET, N.W.</p> <p>SILVER SPRING OFFICE 1907 BONIFANT STREET HYATTSVILLE OFFICE 2202 BALTIMORE AVENUE DISTRICT HEIGHTS OFFICE 2820 SILVER HILL ROAD</p> <p>MAIL TO: <i>Daniel Singer</i> 1700 K St. N.W. WASHINGTON, D.C.</p>
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JAN-17-64 293674 C • 1712 - 625A
 JAN-17-64 293674 C • 1712 - 30

Case No. _____ Clerk

Mr. DRENNAN. It is in the same amount, sir.

Mr. McLENDON. Mark that, please, No. 11.

(The documents referred to were marked "Drennan Exhibit 10" and "Drennan Exhibit 11," and appear on pp. 1181 and 1182.)

Mr. McLENDON. Do you have a copy of the deed signed by Brinkley payable to Robert G. Baker?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. In the amount of \$11,111.11?

Mr. DRENNAN. Yes; we do.

Mr. McLENDON. Mark that No. 12, please.

(The document referred to was marked "Drennan Exhibit 12," and appears on p. 1183.)

Mr. McLENDON. And, finally, do you have a memorandum bearing the initials WFC, evidently meaning Mr. Collins, concerning the loan of \$48,518.19 made to the Serv-U Corp.?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Mark that, please.

(The document referred to was marked "Drennan Exhibit 13," appears on p. 1184.)

Mr. McLENDON. And do you have a copy of a note made by the Serv-U Corp. in a different amount; namely, \$54,342?

Mr. DRENNAN. Yes, sir; I do. I think the difference in the figures is that this note includes interest in the total amount which is to be repaid in monthly installments over a period of several months here.

Mr. McLENDON. Is it your testimony that this amount of the note includes the original loan of \$48,000 plus accumulated interest?

Mr. DRENNAN. I am not sure about the \$48,000, but it does include the amount of the loan plus the interest on the loan for the period, for the repayment period.

Mr. McLENDON. Is that the only loan you found in the bank that was made to the Serv-U Corp.?

Mr. DRENNAN. Yes, sir. Initially there was a \$25,000 loan, and this note replaces that particular note and increases the amount of it.

Mr. McLENDON. This particular note is dated October 1, 1963. Do you have a memorandum of the date of the \$25,000 note?

Mr. DRENNAN. I do not have the date. It was around July of 1963—was the first note for \$25,000. I can get the date for you specifically.

Mr. McLENDON. It preceded the note of \$48,000 plus, did it not?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. And the memorandum which you have identified and which has been offered in evidence recites that it is secured by furniture and equipment installed in a motel owned by the Serv-U Corp., does it not?

Mr. DRENNAN. Yes, sir; and we do have a copy of the chattel mortgage.

Mr. McLENDON. The chattel mortgage securing it?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. Mark that, please.

(The document referred to was marked "Drennan Exhibit 14," and appears on p. 1185.)

Mr. McLENDON. And the note for the \$54,000 dated October 1, 1963?

Mr. DRENNAN. Yes, sir.

DRENNAN EXHIBIT 10

ROBERT G. BAKER

July 19, 1963
WFC

I have today lent Mr. Baker \$10,000 for 90 days, interest at 5½ percent with the note drawn upon secured note form. Mr. Baker has left with me a promissory note described as follows: Date, August 15, 1962, amount \$11,111.11, payable three years after date, interest at 4¼ percent, signed by Stanley B. Brinkley, Jr. and Frances S. Brinkley. This private obligation left with us by Mr. Baker as additional, or side collateral would not have a distinctive collateral value in the usual sense. This advance was made to Mr. Baker as a personal accommodation and I have not required of him at this time definite terms of retirement. This later will be discussed with him when the note matures 90 days hence, if not then paid out.

1182 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

DRENNAN EXHIBIT 11

DISTRICT OF COLUMBIA NATIONAL BANK, WASHINGTON,

6

LOAN NO. _____ AMOUNT \$ 10,000.00

Washington, D. C. October 14, 1953

Ninety (90) after date for value received the undersigned jointly and severally promise(s) to pay to the order of the District of Columbia National Bank, Washington, at its banking house in Washington, D. C. Ten Thousand and no/100

..... Dollars with interest at the rate of .5% per annum after Date until paid, and also to secure the payment of this note and of any and all such other indebtedness, liability or obligation, the undersigned, jointly and severally, do(es) hereby assign, transfer, pledge and deliver unto said Bank the following property:

Note signed by Staley B. Brinkley, Jr. and Frances S. Brinkley dated 5/15/53 - \$11,111.11 payable in 3 years from date with int. at the rate of 4% per annum until paid.

together with any and all other property of the undersigned, or any of them, of every kind and description now or hereafter in the possession or control of, or in transit to or from said Bank, whether by means of instruments of transfer or otherwise and without necessity for insertion hereof of any recital or description thereof or of such instruments, it being the intent of the undersigned to hereby effectuate the pledge of all thereof to the same extent as if full recital or description were embodied herein.

The undersigned hereby, jointly and severally, agree(s) that upon breach of any of the promises herein contained, or upon failure to pay any of said other indebtedness, liabilities or obligations when due, or in the event that said collateral shall depreciate in value in the opinion of the holder hereof so that it becomes inadequate security, or if said Bank or the holder shall feel unsafe or insecure for any reason whatsoever, said Bank or the holder may thereupon, or at any time or times thereafter, sell, and the said Bank or holder are hereby given full and irrevocable power and authority to sell, assign and deliver the said property or any part thereof, and any substitute therefore and any additions thereto, at any Brokers' Board, or at public or private sale, without notice, advertisement, or demand of any kind to anyone and without prejudice to any other remedies afforded by this instrument, and may apply the net proceeds, after deducting all costs and expenses for collection, sale and delivery, to the payment of this note and/or of any or all of said indebtedness, liabilities or obligations whether then due or not due, returning the residue to the undersigned or any of them on demand; the undersigned hereby agreeing to remain jointly and severally liable for, and to pay forthwith any deficiency remaining unpaid after such application. Said Bank or the holder hereof may purchase any of said property at any such Brokers' Board or public sale. At any time, whether in case of decline in the market value of said property or any part thereof, or otherwise, the holder hereof may demand the pledge and delivery of additional property of quality and amount satisfactory to said holder; and the failure on the part of any of the undersigned, to deliver such additional property on demand, shall cause this note and all other indebtedness, liabilities and obligations of the undersigned to the holder to become due and payable on demand. At any time, whether in case of the insolvency of the undersigned or otherwise, and without notice or demand of any kind, any indebtedness owing by the said Bank or holder hereof to any or all of the undersigned or to any endorser or guarantor and/or any deposit by or any property held for them, or any of them, of whatsoever kind or description, may be by said Bank or holder appropriated and applied hereon, or on any other indebtedness, liability or obligation owing the Bank or holder, direct or indirect, absolute or contingent, as well before as after the maturity hereof or thereof. The said Bank or holder are hereby expressly empowered at any time or times hereafter and without notice to anyone, to receive, collect, compromise, renew, extend, substitute, exchange, surrender or release to any party hereto, or otherwise deal with, or to refrain from exercising any of the aforesaid powers or any of a pledgee's duties in respect to, said property or any part thereof, and in respect to any substitute therefore and any additions, dividends, distributions, coupons, interest, rights and accruals thereto, without liability of any kind on the part of the said Bank or holder and without in any manner releasing the obligations of any of the undersigned to the said Bank or holder. The undersigned, whether principal, surety, guarantor or party hereto in any capacity, jointly and severally, hereby agree(s) and assent(s) to any renewal or extension of time of payment or performance of any of the conditions of this note and to the addition of one or more signatures above or below my or our signature; agree(s) that it shall not be necessary for the holder to resort to legal remedies against any of the undersigned before proceeding against any other of the undersigned; and agree(s) that no release of one or more makers whether by operation of law or by any act of the said Bank or holder of this note shall release any other maker; waive(s) notice of any election, acceptance, demand, protest, notice of protest and notice of default, presentment for payment and diligence in collection; and agree(s) that if this note is placed in the hands of an attorney for collection in the event of default in any of the terms and conditions hereof, to pay, in addition to principal and interest, according to the tenor of this note, if permitted by law, fifteen per cent (15%) of said principal and interest as and for attorneys' fees and collection expenses.

It is the intention of the parties that this instrument should be interpreted in accordance with the laws of the District of Columbia.

13-64 91

1953

Form No. L-8

SIGNATURES
Staley B. Brinkley, Jr.
Frances S. Brinkley

DRENNAN EXHIBIT 12

\$ 11,111.11 August 15 19 62

Three Years----- AFTERDATE we PROMISE TO PAY

TO THE ORDER OF Robert G. Baker or assigns
Eleven Thousand One Hundred Eleven & 11/100----- DOLLARS

PAYABLE AT 2000 P St., NW, Washington, D.C.
VALUE RECEIVED, with interest at rate of 4 1/4 per cent
per annum until paid.

NO _____ DUE _____
Atley S. Brudley, Jr.
Frederic J. Brudley



DRENNAN EXHIBIT 13

SERV-U-CORPORATION

July 17, 1963
WFC

Serv-U-Corporation, a customer of our bank has today been granted assurances of financing to the extent of an approximate \$45,000 for the purpose of financing furniture and equipment installation of a motel owned by themselves in the resort area of Ocean City, Maryland. The financing will be on a 36-month term and will cover the cost as billed to the corporation from the various suppliers for the various items of equipment and furniture needed to be installed.

Inasmuch as a portion of the motel is now ready for use and operation and that the remainder of the units will also be completed and equally ready within 30 to 45 days it has seemed impractical to defer the installment financing for that length of time. When it is completed, it is to take the form of conditional sales contract or chattel mortgage as the case may be with the 30 month financing being by means of monthly payments and the transaction will be handled by the Consumer Loan Division. In the meantime, to cover the costs of such of the furnishings and equipment as are necessary for delivery and installation today, I have lent to the corporation \$25,000 unsecured, due upon demand to allow ample time, which loan will be rolled over at the later date.

This interim note has been drawn to be due upon demand, interest rate at 6%.

When the permanent financing is arranged, at about the end of August or the first of September, as conventional installment financing, it will be at the rate of 4-1/2% add-on in the customary fashion.

Serv-U-Corporation as a customer of our bank was introduced to us by Mr. Robert G. Baker, also a depositor of ours who has an ownership participation in a major degree in this enterprise.

October 1, 1963
WFC

I have today approved a loan of \$48,518.19 made to Serv-U-Corporation in the Installment Loan Department of the bank. The loan ~~in the~~ being serviced by Mr. Gifford. The purpose of this loan is to finance complete furniture and fixtures of the motel property known as Carousel Motel, 110 Street and Beach Highway, Ocean City, Maryland, that Serv-U-Corporation owns as a subsidiary business enterprise. The loan is drawn for a period of 36 months, repayable in equal monthly installments, interest rate at 4% per annum add-on, and secured by chattel mortgage on the entire furniture and fittings. Serv-U-Corporation has been a desirable customer and we have confidence in their ability to well manage the debt they undertake ~~to~~ discharge their obligations.

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1185

DRENNAN EXHIBIT 14

CHATTEL MORTGAGE NOTE

DISTRICT OF COLUMBIA NATIONAL BANK, WASHINGTON

LOAN NO... XXXX

AMOUNT \$ 54,342.00

Washington, D. C. October 1, 1963

For Value received the undersigned jointly and severally promise(s) to pay to the order of the District of Columbia National Bank, Washington, at its banking house in Washington, D. C. FIFTY-FOUR THOUSAND THREE HUNDRED FORTY-TWO AND NO/100th Dollars, with interest at the rate of 7% per annum after maturity until paid, payable as follows: (\$ 1,509.50) One Thousand Five Hundred Nine & 50/100 Dollars on the 5th day of November A. D. 1963, and (\$ 1,509.50) One Thousand Five Hundred Nine Dollars and 50/100 Dollars on the 5th day of each and every month thereafter, until paid in full.

Whenever this note matures by its terms or by virtue of any of the causes accelerating payment thereof as herein set forth, the Bank may charge the amount of said note unpaid at said time to any deposit account maintained by the undersigned, or either of them, or all of them, without notice to or consent of the undersigned. The Legal Holder hereof, at any time it feels itself insecure for any reason whatsoever, may apply any collateral or any security standing in the name of the undersigned or either of them, or all of them, that may be in the possession of the Legal Holder hereof. The right of the Legal Holder hereof to the aforementioned offset or satisfaction of said obligation hereof shall not be affected by the fact that the Legal Holder may have other security for the amount due hereon, it being understood and agreed that the right of the Legal Holder hereof to offset against any account or security or other articles of value in the possession of the Legal Holder hereof and belonging to the undersigned shall rest in the discretion of the Legal Holder hereof.

Upon failure to make any monthly payment in full when the same shall be due or upon the failure to pay this note when the same is due and payable or if the Holder hereof shall in good faith feel itself insecure or unsafe as a result of acts or events which bear upon the financial position of the borrower or the repayment of this instrument or shall fear diminution, removal, or waste of goods and chattels, or if said goods and chattels are not protected by adequate insurance against loss, damage and destruction to the full satisfaction of the Legal Holder hereof, or in the event of the insolvency of, or the commission of an act of bankruptcy by, the undersigned, or any of them, or the appointment of a receiver of the property of the undersigned, or any of them, by a bankruptcy court or other court of competent jurisdiction, this note shall, in the usual discretion of the Holder hereof, become due and payable with notice, anything herein before expressed to the contrary notwithstanding. Further failure to make any monthly payment in full when the same shall be due, shall entitle the Legal Holder hereof to assess a late charge of .05 cents per Dollar of payment due, per day of delinquency, which late charge shall be cumulative if the delinquency shall be repeated; and this late charge shall be confessed to be compensation to the Legal Holder hereof, not as a penalty, but as liquidated damages, and in lieu of additional interest.

The undersigned jointly and severally, further agree that the property, or any additions or substitutions thereto made or allowed, that shall be pledged to secure the repayment of this obligation, and the possession and the operation of such property by the undersigned shall, at all times, be at the risk of the undersigned and loss thereof or damage thereto shall not relieve the obligation of the undersigned hereunder; that the District of Columbia National Bank, Washington, shall not be obligated to place insurance on said property to protect itself or any one else; that if in the exercise of its sole discretion the Bank shall elect to procure insurance indemnifying itself against the risk of damage, loss, or destruction by fire, theft, collision, or any other hazard, it may do so at the expense of the undersigned, which expense the undersigned, jointly and severally, undertake to assume and discharge to the full satisfaction of the Bank.

The Mortgagor hereby agrees that if this note is placed in the hands of an attorney for collection in the event of default in any of the items or conditions herein, to pay, in addition to principal and interest, according to the terms of this note, if permitted by law, 15% of said principal and interest as and for attorney's fees and collection expenses.

This note is secured by a chattel mortgage of even date herewith on personal property.

It is understood and agreed that all rights and remedies hereunder are cumulative and not alternative.

It is the intention of the parties that this instrument should be interpreted in accordance with the laws of the District of Columbia.

SIGNATURES

SIGNATURES

[Handwritten signatures]
Lynn A. Carpenter
Chaim F. Band

Mr. McLENDON. To which you referred. That has been given an exhibit number. As of the date that you examined the records, had this note of \$54,342 of the Serv-U Corp. been paid, or was it still owing to the bank?

Mr. DRENNAN. The note is outstanding, Major. It calls for repayment at the rate of \$1,509.50 per month starting November 5, 1963.

Mr. McLENDON. The date for the installment payments—it has passed?

Mr. DRENNAN. They were making payments monthly.

Mr. McLENDON. They are making them?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. What about the \$125,000 debt in connection with the purchase of the residence? Is that still outstanding in the same amount?

Mr. DRENNAN. Yes, sir; that note is payable in full in 2 years from the date of the note which was in March of 1963—which means it is due in March of 1965. Interest has been paid monthly on the note.

Mr. McLENDON. Is there anything else about the records of the bank that you want to bring to the attention of the committee, Mr. Drennan?

Mr. DRENNAN. I might just mention briefly that Mr. Baker has a checking account at this bank, and that we obtained copies of the canceled checks and deposit slips, and that many of these items can be identified and related to various of his business transactions, such as the Haiti meat deal, the townhouse, transactions with Mrs. Novak, and the transactions with the Mecklenberg Enterprises at Charlotte. However, not all payments and receipts from these sources have flowed through this particular bank, and we will accumulate these, and as we obtain others put them all together to form a complete package on those transactions.

Mr. McLENDON. That information will be presented later in connection with other bank loans and accounts?

Mr. DRENNAN. Yes, sir.

Mr. McLENDON. That is all, Mr. Chairman.

The CHAIRMAN. Are there any questions, Senator?

Senator SCOTT. No questions.

Senator CANNON. No questions.

Mr. McLENDON. Mr. Collins?

The CHAIRMAN. Will you have a seat, sir? Do you have counsel with you?

Mr. COLLINS. No, sir.

The CHAIRMAN. Did you hear my opening statement, Mr. Collins?

Mr. COLLINS. No, sir; I did not.

The CHAIRMAN. It will be necessary that I read this statement in order that you understand your rights and under what directions we are operating at this hearing this morning.

This committee is acting by direction and under the authority of Senate Resolution 212, agreed to October 10, 1963, and Senate Resolution 291, agreed to February 10, 1964.

Senate Resolution 212 authorizes and directs the Senate Committee on Rules and Administration—

to make a study and investigation with respect to any financial or business interests or activities of any officer or employee or former officer or employee of the Senate, for the purpose of ascertaining (1) whether any such interests

or activities have involved conflicts of interest or other improprieties; and (2) whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or restricting any such activities.

Witnesses have been interviewed by the staff and heard both in executive and public sessions. Considerable evidence has been obtained and testimony received to date.

Witnesses who have appeared previously, or who will be called in the future, possess information which the committee believes is material and pertinent to the provisions of the resolutions of direction and authorization and which will aid the committee in fulfilling its legislative purpose.

The Chair advises each witness that he is entitled under the rules of procedure of the committee to retain and be accompanied by counsel. The counsel may advise the witness of his legal rights during the course of his testimony. Should the witness not fully understand any question, the witness may ask for clarification. Counsel, however, shall not coach the witness, or answer for the witness.

The committee will now proceed to hear the testimony of Mr. W. F. Collins.

Mr. COLLINS, will you please stand, sir, and place your left hand on the Bible, and raise your right hand and take the oath?

Do you solemnly swear that the evidence you are about to give before the committee in the matter under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. COLLINS. I do, sir.

The CHAIRMAN. Have a seat, sir.

Mr. McLENDON. Will you state your full name and residence address?

TESTIMONY OF WILLIAM F. COLLINS

Mr. COLLINS. William F. Collins. I live at 501 Eden Court, Alexandria, Va.

Mr. McLENDON. Mr. Collins, since you are not represented by counsel, if at any time any question is asked you that you have any doubt about whether you are required to answer, if you will make known your doubt, the committee will be glad to advise you.

Mr. COLLINS. Thank you.

Mr. McLENDON. Were you one of the organizers or promoters of the District of Columbia National Bank?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. When did the organizational effort begin? As nearly as you can. I don't mean the exact date.

Mr. COLLINS. I can't give you an exact date, sir. The effort to organize and to gain a charter for this bank commenced some years back, as I understand, though I am intimately acquainted with that history. The efforts to organize this bank, by the group who were the ones who successfully accomplished that, was commenced, I believe, at some time, but I do not know the dates other than 1961, possibly earlier, though I cannot be definite.

Mr. McLENDON. Was Mr. Robert G. Baker one of the promoters and organizers?

Mr. COLLINS. Not to my knowledge.

Mr. McLENDON. Did he have anything to do so far as you know with procuring the charter of the bank?

Mr. COLLINS. No.

Mr. McLENDON. Permission to operate?

Mr. COLLINS. No, sir.

Mr. McLENDON. It is a national bank; is it not?

Mr. COLLINS. It is.

Mr. McLENDON. You do know that he became an early subscriber to the stock; do you not?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. There has been offered in evidence here a subscription signed by him for 1,700 shares at a price of \$25,500. Do you have knowledge of that?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. Was that the price at which it was offered to all stockholders?

Mr. COLLINS. To every stockholder, the only price.

Mr. McLENDON. That is about what; \$15 a share, is it not?

Mr. COLLINS. That is correct.

Mr. McLENDON. How many shares were allotted to him?

Mr. COLLINS. 1,500 shares.

Mr. McLENDON. Why was it that he didn't get the full amount he subscribed for?

Mr. COLLINS. The bank was heavily oversubscribed.

Mr. McLENDON. Was the stock issued, the 1,500 shares, stock certificates duly issued in the name of Robert G. Baker?

Mr. COLLINS. Yes, sir; it was. I do not recall whether it may have been a name jointly with himself and wife. I see by reference to the photostatic copy of the bank records in that respect that it was issued to himself singly.

Mr. McLENDON. To Robert G. Baker?

Mr. COLLINS. To Robert G. Baker.

Mr. McLENDON. Does it still stand in his name?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. Do you have any knowledge of any agreement between Robert G. Baker and any other persons that other persons owned part of the stock and have paid for it?

Mr. COLLINS. I have no such knowledge, sir.

Mr. McLENDON. Has that ever been brought to your attention?

Mr. COLLINS. No, sir.

Mr. McLENDON. So insofar as you know as officer—by the way, are you president?

Mr. COLLINS. No, sir; I am the executive vice president and cashier of the bank.

Mr. McLENDON. So far as you know in your official capacity as executive vice president, all of this stock is still owned by Robert G. Baker?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. You have no knowledge of any agreement with any other persons?

Mr. COLLINS. I have none.

Mr. McLENDON. Was his subscription to the stock solicited by you or any of the other promoters?

Mr. COLLINS. I cannot say as to that, Mr. McLENDON. I was at that time in the city of Chicago, and I did not come to Washington nor

agree to come to Washington to become an officer of this bank formally and completely until after the initial approval of the charter had been granted. I took I believe it was about a month to 6 weeks to terminate my affairs in Chicago and to come here, in order to assume my function.

Since I was utterly unacquainted with the city of Washington and its people, my participation in allotments of stock would have been of no value, and consequently since I wasn't here in the first place, and could not have contributed, I did not engage with the others in that. My having been one of the organizers was due to the fact that I was intended to represent the management of the bank.

Mr. McLENDON. Pull the microphone a little bit closer to you, please. Thank you. Go ahead. You said you intended to do what?

Mr. COLLINS. My function was to be the operating officer of the bank.

Mr. McLENDON. And since you came here, you have occupied the position of executive vice president?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. Were you in the banking business in Chicago before coming here?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. How much experience had you had in a bank?

Mr. COLLINS. I had been in the banking business for about 40 years.

Mr. McLENDON. How did you become acquainted with Robert G. Baker?

Mr. COLLINS. After I had reached Washington after the bank had been opened for some number of months, I believe that my first acquaintance with him was at a time when he visited the bank and I met him on that occasion. I do not recall the date.

Mr. McLENDON. Did you ascertain what official position he occupied before you had any business transactions with him?

Mr. COLLINS. Yes, by title, but I must confess to you I had not the least idea of what that meant. I am not acquainted with Washington nor with the Government service.

Mr. McLENDON. I refer you to a memorandum dated March 11, 1963, and bearing another date near the end of March 12, 1963, bearing your initials. Do you have a copy of that before you?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. Was that memorandum prepared by you?

Mr. COLLINS. It was.

Mr. McLENDON. Those initials are your initials to indicate that you prepared it?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. I notice in this memorandum that you say:

Mr. Baker's position within the U.S. Government recommends serious consideration to the transaction, as he is a gentleman with innumerable friends and connections whose good offices in behalf of our bank would be very valuable in our growth.

Mr. COLLINS. Yes, sir.

Mr. McLENDON. How did you get the information upon which that statement was based?

Mr. COLLINS. By general discussion with my associates.

(At this point Senator Pell withdrew from the hearing room.)

Mr. McLENDON. And you were informed that he did have innumerable friendships and connections?

Mr. COLLINS. I knew that—I came to know or to be given to understand that he had indeed innumerable friendships.

Mr. McLENDON. Did you understand that he was a man of influence?

Mr. COLLINS. Not in that sense, sir.

Mr. McLENDON. The same memorandum recites the transaction between the bank and Mr. Baker, in which the bank loaned Mr. Baker the entire purchase price of his home in Van Ness Street NW., Washington.

Mr. COLLINS. Yes, sir.

Mr. McLENDON. Are you familiar with that transaction?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. And you prepared this memorandum regarding that transaction?

Mr. COLLINS. I did.

Mr. McLENDON. Will you explain to the committee how it happened that your bank, your new bank, would loan him the whole purchase price of his home?

Mr. COLLINS. On the strength of his financial worth as displayed by his financial statement; in consideration of the fact that the property that he purchased was judged to be considerably more valuable than its cost to him.

Mr. McLENDON. Did you personally see the financial statement?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. It represented that he had a net worth of \$2,166,000, did it not?

Mr. COLLINS. I believe that is the approximate figure.

Mr. McLENDON. And it listed his assets in some detail so that you could identify most of them, could you not?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. Did you make inquiry about them?

Mr. COLLINS. No, sir.

Mr. McLENDON. And it shows his current liabilities, according to the statement, were \$364,000?

Mr. COLLINS. I believe that is correct.

Mr. McLENDON. Did you check with any of the banks that he listed as owing money to, to see whether the statement was accurate or not?

Mr. COLLINS. No, sir.

Mr. McLENDON. Did you check with anybody with respect to the assets that were listed?

Mr. COLLINS. No, sir.

Mr. McLENDON. One of the large assets was stock in the Serv-U Corp., was it not?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. Did you make any inquiries about that?

Mr. COLLINS. No, sir.

Mr. McLENDON. Did you know that, at the very time that he gave you this statement, he did not have any stock in his name, but it was all in trust?

Mr. COLLINS. No, sir.

Mr. McLENDON. Did you know that all of the stock even in trust was hypothecated?

Mr. COLLINS. No, sir.

Mr. McLENDON. At another bank?

Mr. COLLINS. No, sir.

Mr. McLENDON. Did you know of any other obligations that he had outstanding with respect to property that was not in his name?

Mr. COLLINS. I knew of the aggregate amount of his debts as his financial statement recited those debts. I was aware of the fact that certain of his assets were pledged to secure those debts. In that equation that would not have lessened his net worth.

Mr. McLENDON. Mr. Collins, were you misled about this man's net worth because of his official position and his prominence?

Mr. COLLINS. I feel not.

Mr. McLENDON. You were not?

Mr. COLLINS. I feel that I was not misled either by Mr. Baker nor by any other person.

Mr. McLENDON. You learned since then that this was not a correct balance sheet, financial statement, have you not?

Mr. COLLINS. No, sir; I have not.

Mr. McLENDON. Oh, you haven't learned that?

Mr. COLLINS. I have not learned that, sir.

Mr. McLENDON. Did you ever have anyone in your bank make a mathematical calculation with respect to the addition, the mathematical addition that appeared on this balance sheet?

Mr. COLLINS. I don't recall whether I may have or not done so.

Mr. McLENDON. If you did, you didn't discover that the figures were obviously in error to the amount of almost \$300,000?

Mr. COLLINS. No, sir.

Mr. McLENDON. You didn't discover that?

Mr. COLLINS. No, sir.

Mr. McLENDON. Isn't that a rather unusual way for a bank to transact business in amounts of this size?

Mr. COLLINS. Not necessarily.

Senator SCOTT. The witness said "not necessarily"?

Mr. McLENDON. Not necessarily, as I understood him. Is that what you said?

Mr. COLLINS. Yes, sir.

Senator SCOTT. In referring to the fact that he didn't pick up an error of \$300,000, it is not necessarily unusual for a bank? Are you sure you want to let that answer stand on the record?

Mr. COLLINS. Senator Scott, I am not aware now of the error you refer to. If there is an error in the addition of the figures on the statement, I have not been aware of that, as I previously said.

Mr. McLENDON. The error was really in the transposition of figures from one schedule into the balance sheet, and you didn't discover that?

Mr. COLLINS. No, sir; I did not.

Mr. McLENDON. I ask you again, Mr. Collins, isn't it highly probable that you were misled and that you were less cautious in this case than you would ordinarily be because of this man's prominence?

Mr. COLLINS. No; I would not say so.

Mr. McLENDON. You wouldn't say that. Now, was it upon your advice or was it upon the initiation of Baker that this property was put in trust and finally wound up in your name as trustee?

Mr. COLLINS. It was not done with my advice. I cannot state to you where the explicit advice or suggestion may have emanated from. It was, however, with my concurrence.

Mr. McLENDON. I notice a memorandum bearing your initials dated April 22, 1963, contains the statement in regard to the \$125,000 loan that—

In regard to our lending Mr. Baker the \$125,000 referred to above, it has been determined that insofar as the manner in which title is now vested in the property being purchased is concerned, we will make the loan on an unsecured basis for the present, with a note to be signed by both Mr. and Mrs. Baker, and with the understanding that no encumbrance will be placed or permitted to exist without our prior knowledge or consent.

Is it true that you made a temporary loan to begin with for \$125,000 on the unsecured note of Mr. and Mrs. Baker?

Mr. COLLINS. No; that is the permanent loan.

Mr. McLENDON. It was permanent?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. So this memorandum was not carried into effect in that respect; that is, you made no preliminary loan unsecured?

Mr. COLLINS. No.

Mr. McLENDON. You did not?

Mr. COLLINS. No. We made the exact loan in consummation of the transaction.

Mr. McLENDON. And did you have a trust agreement conveying the property so that it could be reached by the bank in the event of default from the very beginning?

Mr. COLLINS. Yes.

Mr. McLENDON. Let me be sure now you and I are talking about the same thing. This memorandum says that the note is to be—the manner in which the title is to be vested at the moment is not decided, but the loan will be made on an unsecured basis for the present. My question now is, Did you actually make the loan, even though it may have been temporary, on an unsecured basis?

Mr. COLLINS. Yes; we made the loan on an unsecured basis.

Mr. McLENDON. How long did that loan remain in effect? Do you know?

Mr. COLLINS. It is the loan that is yet in effect.

Mr. McLENDON. It is still the same loan?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. So that means it was after you loaned the money that you got the trust indenture; is that correct?

Mr. COLLINS. No, sir.

Mr. McLENDON. Will you explain this, then? Maybe I don't understand it.

Mr. COLLINS. After the loan was made, it was felt and found to our satisfaction that there was not a necessity to change the loan insofar as the note form it took was concerned. So it stood as it now stands.

Mr. McLendon. Would it still be a fact that, for some period of time, the loan was outstanding without any security other than the signatures of Mr. and Mrs. Baker?

Mr. Collins. That would be factually correct; yes, sir, for a period of approximately 2 days.

Mr. McLendon. Oh, 2 days. I notice the memorandum says further that—

Upon our request in any case, if in our interests, Mr. and Mrs. Baker will convert the debt to the mortgage available from other sources and retire the loan. Mr. Baker understands our need for loan movement and turnover position, and feels this arrangement is fair to both of us.

Mr. Collins. Yes.

Mr. McLendon. Do I interpret that correctly, when I say that that was a commitment by Mr. and Mrs. Baker that they had at that time sources from which they could obtain a mortgage on the property and pay off the note?

Mr. Collins. I so understood.

Mr. McLendon. Has the bank ever asked them to do that?

Mr. Collins. No, sir.

Mr. McLendon. Have they ever offered to do it?

Mr. Collins. No, sir.

Mr. McLendon. So between the time the note was made and the present, do I understand that no effort has been made by Mr. and Mrs. Baker to pay off the note?

Mr. Collins. We have not required them to.

Mr. McLendon. And they have not?

Mr. Collins. And they have not volunteered to.

Mr. McLendon. And they have not volunteered to?

Mr. Collins. So it stands.

Mr. McLendon. All right. Now, you did finally become trustee personally holding the title to this property in your name as trustee by proper conveyance?

Mr. Collins. Yes, sir.

Mr. McLendon. And it stands that way now?

Mr. Collins. It does.

Mr. McLendon. Mr. Collins, the records of your bank show that in August 1962 you made an unsecured loan in the amount of \$11,111.11 to Mr. Baker. I am sorry; the note is \$10,000, and with it was deposited a note signed by Staley B. Brinkley, Jr., in the amount of \$11,111.11. Are you familiar with that transaction?

Mr. Collins. Yes, sir.

Mr. McLendon. Will you explain to the committee why that loan was made, and what statements, if any, Baker made about it?

Mr. Collins. I don't recall specific statements that he may have made about it. He discussed with me his desire to borrow \$10,000 for his personal use and convenience. I felt that he was creditworthy for \$10,000. I made him the loan. He had brought with him the note that you have described signed by Mr. and Mrs. Brinkley. He did not identify that, other than it was a note held by himself and patently owing to him by its terms. He asked if I wished to retain that as collateral. I replied to him as best I can remember in substance: No, that that type of personal note was hardly collateral as one thinks of collateral as being stocks, bonds, and the like. If he wished to

leave the note it would do no harm, but as my loan memorandum recites, I did not place a pertinent value upon it. He did leave the note. I did lend him the \$10,000, and for the purpose stated.

Mr. McLENDON. And you did not attach any importance to the collateral note from Brinkley?

Mr. COLLINS. Not specifically importance; no, sir.

Mr. McLENDON. Did it occur to you to have someone get in touch with Mr. Brinkley and ascertain whether that was a bona fide note?

Mr. COLLINS. I did not deem it necessary to my credit situation.

Mr. McLENDON. You regarded his credit without the note as adequate to justify this loan?

Mr. COLLINS. I did.

Mr. McLENDON. Have you since ascertained that Mr. Brinkley denies that he owes the note?

Mr. COLLINS. No, sir; I do not know that.

Mr. McLENDON. And that Mr. Tucker has testified before this committee that he owes it?

Mr. COLLINS. I am not aware of that.

Mr. McLENDON. You are not aware of it. So then at the moment, the note apparently, according to your testimony, would be virtually unsecured unless Mr. Brinkley, who signed this note, left with the bank by Mr. Baker, would voluntarily pay it?

Mr. COLLINS. I consider the note unsecured.

Mr. McLENDON. Then your records show, Mr. Collins, that you made two or three loans which finally aggregated approximately \$54,000 to the Serv-U Corp. Will you tell the committee how you happened to make the first loan to the Serv-U Corp., and what you knew about that corporation at the time of the loan?

Mr. COLLINS. I became aware of—and I cannot tell you at what date—of the existence of the Serv-U Corp. I believe the Serv-U Corp. has its financial statement in our bank files. I was aware that they owned or were acquiring the motel property, and that they were adding to it by enlargements. It was discussed with me—their desire to finance the furnishings and equipment for the enlarged number of motel units that they were erecting. I agreed to make a loan to cover that financing on an installment basis.

A portion of the numbers of additional units were completed. I lent to Serv-U Corp., if I remember correctly, \$25,000 as an interim loan for the purpose of furnishing those units or supplying the funds for that furnishing and equipment. Subsequently, and within a relatively short period of time, the balance of the additional motel units became completed. The additional furnishings and equipment were delivered, and I thereupon made an overall loan in the principal amount of approximately \$48,000, the first proceeds of which first retired the prior \$25,000 interim note, and the balance given to Serv-U Corp. for payment to the suppliers. That is it.

Mr. McLENDON. I have difficulty in hearing you there. The final note to which you referred was the one in the amount of \$54,000-plus, or did you say the \$48,000 was the final one? We have in the files a copy of the note dated October 1, 1963, for \$64,000-plus.

Mr. COLLINS. That is right.

Mr. McLENDON. Is that the final amount of money that you loaned to Serv-U?

Mr. COLLINS. That is the final amount of the loan contract price, if that makes it more understandable, sir.

Mr. McLENDON. It started with 25 and it was gradually increased to 54. Would that be a fair statement?

Mr. COLLINS. Not gradually increased, sir; no. There were two transactions; first the original 25, and then upon the completion, the loan as recited in my memorandum—I believe it is correct or factually correct, if not to the penny—of \$48,518.19 was made. The \$48,518.19 was representative of the amount of cost of the furnishings and equipment that I had agreed to, under—I don't recall whether it was an initial sales contract or a chattel mortgage—I believe, however, it was a chattel mortgage. The difference between that and the note as drawn of the \$54,342 is representative of the interest or finance cost, whichever one chooses to call it, for the entire term of the monthly installment note.

Mr. McLENDON. All right. Now, your memorandum of July 17, 1963, recites that—

Serv-U Corp. as a customer of our bank was introduced to us by Robert G. Baker, also a depositor of ours who has an ownership participation in a major degree in this enterprise.

Were you furnished with a financial statement of the Serv-U Corp. before you made the first loan?

Mr. COLLINS. Yes; I believe so, although without reference to my exact files, I cannot state exactly so, but I feel that I undoubtedly did.

Mr. McLENDON. According to the records before this committee, Mr. Collins, the Serv-U Corp. at the time it took over this property, took title to it, owed more than \$1 million on the property itself.

Mr. COLLINS. In the permanent financing of the real estate?

Mr. McLENDON. The mortgage indebtedness was in excess of \$700,000, and the rest of it was represented by debt to stockholders and some to banks. Do you recall that?

Mr. COLLINS. Not as a matter of detail; no.

Mr. McLENDON. Did you rely upon the statements made by Mr. Baker that this was a solvent corporation, and that this kind of indebtedness would be secured and payable?

Mr. COLLINS. The debt to us?

Mr. McLENDON. Yes; the debt to you.

Mr. COLLINS. Yes. I did so rely, and I relied also upon our security position in the chattels represented.

Mr. McLENDON. That was on the furniture and fixtures?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. Most of that was the furniture and fixtures which had been added quite recently, were they not?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. Practically new furnishings?

Mr. COLLINS. Yes, sir.

Mr. McLENDON. And you did have a chattel mortgage on that?

Mr. COLLINS. I did and do.

Mr. McLENDON. But other than that, is it your testimony that you did not rely upon the financial statement of Serv-U?

Mr. COLLINS. Yes; relied on both.

Mr. McLENDON. Relied on both. Did you make any investigation to ascertain what the value of the property was?

Mr. COLLINS. No, sir; I did not.

Mr. McLENDON. Did you have anybody appraise it?

Mr. COLLINS. No.

Mr. McLENDON. Again did you rely upon the representations made by Mr. Baker?

Mr. COLLINS. Yes.

Mr. McLENDON. I will ask you the same question with respect to this. Were you misled by Mr. Baker's assurances that this corporation was solvent?

Mr. COLLINS. I have no reason to feel that he misled me; no, sir.

Mr. McLENDON. Even now?

Mr. COLLINS. Even now.

Mr. McLENDON. All right; that is all, Mr. Chairman.

The CHAIRMAN. Counsel, before I go any further I would like to state for the record that we have permission to sit while the Senate is in session. Senator Cannon?

Senator CANNON. I would like to ask counsel whether or not we have any record to show that this corporation is insolvent. I don't recall any such evidence before the committee showing that Serv-U is insolvent.

Mr. McLENDON. Mr. Black has testified, Senator, that Baker and Carousel were broke when he went to California and obtained consent of the Serv-U Corp. to buy it; that he was in desperate financial circumstances, and Mrs. Novak has testified that none of the owners could furnish money to pay its present debts, and they were entirely dependent upon Baker's ability to finance it.

Senator CANNON. I understand that, but I understood the witness—Mr. Collins, didn't you say that you were relying on the financial position of Serv-U when you made this loan?

Mr. COLLINS. Yes, sir.

Senator CANNON. And that would have nothing to do with the Carousel except so far as Serv-U was the owner of the Carousel; is that correct?

Mr. COLLINS. Other than the name having remained the same, of the property.

Senator CANNON. Did you have the financial statement of the Serv-U Corp. at the time when you made the loan?

Mr. COLLINS. I am certain we did.

Senator CANNON. Let me ask you this. This note indicates that monthly payments were to be made, commencing with the 5th of November 1963, in the sum of \$1,509.50 a month. Have those payments been made as and when they became due?

Mr. COLLINS. Exactly.

Senator CANNON. So that the note is completely current up to the present time?

Mr. COLLINS. It is.

Senator CANNON. What about the note from Mr. Baker on the house? The note was a fixed-period note, was it not?

Mr. COLLINS. Yes, sir.

Senator CANNON. What was the period?

Mr. COLLINS. Two-year term, if I remember correctly. I believe the photostat will show, however, definitely as to that.

Senator CANNON. That note is not yet due at the present time?

Mr. COLLINS. It is not due and it is current.

Senator CANNON. Does it require interest payments to be made monthly?

Mr. COLLINS. Yes, sir.

Senator CANNON. Have the interest payments been made monthly as and when they became due?

Mr. COLLINS. Exactly as agreed.

Senator CANNON. So that both of those notes as far as your bank is concerned are completely current up to the present time?

Mr. COLLINS. And so is the \$10,000.

Senator CANNON. The \$10,000 note is also current?

Mr. COLLINS. Fully.

Senator CANNON. No further questions, Mr. Chairman.

The CHAIRMAN. Senator Scott?

Senator SCOTT. Mr. Collins, when did you last talk to Mr. Baker?

Mr. COLLINS. I am afraid I cannot recall the date. It has been some several months, I would say, since I last had any occasion to see him or speak with him.

Senator SCOTT. You are the bank officer in charge of these loans?

Mr. COLLINS. Yes, sir.

Senator SCOTT. You have not found it necessary to talk to Mr. Baker to check on the security of the loans or any change in the value of the collateral or anything of that sort?

Mr. COLLINS. No, sir.

Senator SCOTT. You are perfectly satisfied with the status of all of your business transactions with Mr. Baker, Serv-U, and Carousel as they exist today?

Mr. COLLINS. Senator, no one is ever perfectly satisfied.

Senator SCOTT. Let's strike out the perfectly. Are you satisfied?

Mr. COLLINS. I am satisfied in our security position, and I am satisfied in the loans we have made and carry on our books, and I am satisfied with the performance executed by Mr. Baker to date.

(At this point Senator Jordan withdrew from the hearing room.)

Senator SCOTT. Knowing what you know now, would you still make loans to Mr. Baker, to Carousel, or to Serv-U?

Mr. COLLINS. Yes, sir.

Senator SCOTT. You would?

Mr. COLLINS. I would. I have learned nothing that would change my opinion regarding Mr. Baker insofar as his integrity and performance in meeting obligations is concerned.

Senator SCOTT. Do you read the papers, Mr. Collins?

Mr. COLLINS. Yes; I do read the papers.

Senator SCOTT. Carefully?

Mr. COLLINS. Carefully.

Senator SCOTT. Would you have lent to anyone in the room—I am going to give the press a break now—would you have lent to anyone in this room, including members of the committee and the press, \$125,000, the full value of a residence, without checking into the collateral offered?

Mr. COLLINS. This was not such a situation. This was not a property foreign to our knowledge.

Senator SCOTT. I am assuming your knowledge of the property. Let me repeat the question. Assuming your knowledge of the property, would you make such a loan to anyone in this room?

Mr. COLLINS. I don't think that is a fair question.

Senator SCOTT. Mr. Collins, you are not the judge of what is a fair question. We are discussing here matters which pertain to the bank's relationship to Mr. Baker.

Mr. COLLINS. Yes, sir.

Senator SCOTT. If my questions are not fair, the chairman will so rule.

Mr. COLLINS. Thank you.

Senator CANNON. I would say that the witness certainly has the right to inject into it other conditions if he so desires in answering his question.

Mr. COLLINS. I have made it my practice in my banking life, whether wrongfully or rightfully—it is still my practice—that I lend to men whom I feel I can deal with and trust and place my confidence in. I do not subscribe to the fact that I can place equal confidence in every man out of a given crowd of say 100 people. I made my judgment of Mr. Baker for good or for ill. I made the loan. I am today yet content with the loan I have made, and as I have said before, Mr. Baker has performed with integrity.

Senator SCOTT. Mr. Collins, did you know that Mr. Baker's salary was \$19,500?

Mr. COLLINS. I did not know what his salary was from his Senate position, if that is what is referred to.

Senator SCOTT. In the course of deciding to make this loan, you did not ascertain the salary of the applicant for the loan?

Mr. COLLINS. No.

Senator SCOTT. You did not ascertain the value of the collateral, the value of the assets allegedly owned by him; is that right?

Mr. COLLINS. You are referring to my writing to the various companies in which he held stock, and so on?

Senator SCOTT. Yes.

Mr. COLLINS. To ascertain that ownership?

Senator SCOTT. Yes.

Mr. COLLINS. I did not.

Senator SCOTT. Did you not inquire as to whether any of the assets allegedly owned by him were subject to mortgage or lien or other conditions?

Mr. COLLINS. His financial statement revealed his encumbrances upon that which he owned.

Senator SCOTT. Is it the bank's custom to accept financial statements in applications for loans without checking on the validity or accuracy of the financial statement?

Mr. COLLINS. Very often, in the predominant number of cases; yes, sir.

Senator SCOTT. In other words, your bank in the predominant number of cases would require a financial statement, but would not check on it. Why then do you require them?

Mr. COLLINS. I didn't say we would not check on it.

Senator SCOTT. Didn't you say in the predominant number?

Mr. COLLINS. I said in the preponderant cases.

Senator SCOTT. You would not check on it?

Mr. COLLINS. That we would not necessarily check on it.

Senator SCOTT. This is very interesting. My father was a banker for 63 years, and I am learning something new every day about the

banking business. Maybe this inquiry ought to go to the Banking and Currency Committee. You see nothing unusual then in the lending of \$125,000 on a property in which no equity had been obtained, to a man who furnishes you with a financial statement which you do not check as to accuracy or worth or lien?

Mr. COLLINS. I judge a loan, sir—if this is a responsive answer to your question—on the ability of a man to repay what he borrows.

Senator SCOTT. And you said you did not know the nature of Mr. Baker's employment as secretary to the majority?

Mr. COLLINS. I did not know the import of that position, and I am afraid I still do not fully understand its import; no.

Senator SCOTT. Perhaps this is one of the things we are inquiring into. I am curious if this is the case, since you did not know the nature of Mr. Baker's position, that you stated in your memorandum of March 11, 1963, as counsel has pointed out:

Mr. Baker's position within the U.S. Government recommends our serious consideration to the transaction, as he is a gentleman with innumerable friendships and connections whose good offices in behalf of our bank could be very valuable in our growth.

Mr. COLLINS. Yes, sir.

Senator SCOTT. Now, you were therefore relying upon Mr. Baker's influence, weren't you, and his connections?

Mr. COLLINS. I was not relying upon Mr. Baker's influence. I never employed any influence, and I don't know that he has any or did have any. I referred to his friendships.

Senator SCOTT. And connections?

Mr. COLLINS. If I used that word; yes.

Senator SCOTT. What do you understand by "connections" in this sense?

Mr. COLLINS. I understand by his connections, affiliations of a proper order.

Senator SCOTT. If he had many friendships and business connections, would you not say that he was a man of influence?

Mr. COLLINS. Not in that sense, as I replied before.

Senator SCOTT. Will you differentiate between the kind of influence that you relied on and the kind of influence you didn't rely on?

Mr. COLLINS. Yes. May I explain the kind of influence that I relied upon, and felt valuable to me? May I?

Senator SCOTT. Yes; of course.

Senator CANNON. You may proceed to answer the question.

Mr. COLLINS. A man who has innumerable friends and is liked by them, and who has a reason to be interested in the growth of a new bank and the securing of deposits, which every new bank naturally requires and desires, is the type of influence, if that is influence, that I was, yes, indeed, interested in; if he would like me, if he would be favorably disposed to my bank to recommend it to his friends, if his types of friendship were such that his suggestions to his friends would gain me additional customers, additional deposits, if that is influence, yes, sir, I sought it.

Senator SCOTT. Did you have an outside appraisal of the value of this house?

Mr. COLLINS. No, sir.

Senator SCOTT. Is it the custom of the bank not to have outside appraisals?

Mr. COLLINS. No, sir.

Senator SCOTT. As to the value of a residence?

Mr. COLLINS. No, sir.

Senator SCOTT. It is not your custom. Therefore you waived the custom this time in Mr. Baker's favor. Why?

Mr. COLLINS. It was not thought necessary in the light of that which our bank knew or felt it knew concerning the property and its value.

Senator SCOTT. Is there anything in your bank records that shows what your bank knew or felt that it knew about the property and its value?

Mr. COLLINS. No, sir; not specifically.

Senator SCOTT. Is not the value of a property determined by the amount which a fellow, willing and able to pay, does pay to a buyer willing and able to sell?

Mr. COLLINS. I think I am confused or that you have your terms transposed.

Senator SCOTT. In other words, is not the value of the property currently fixed by the market price for which it is in process of changing hands?

Mr. COLLINS. No; not necessarily. Sometimes market price has a bearing, or perhaps always it has some bearing.

Senator SCOTT. I am sure glad to hear that. It does have some bearing?

Mr. COLLINS. Yes, sir; but there is a difference between market price and appraisal for mortgage purpose in the usual routine of mortgage lending.

Senator SCOTT. Where, in your practice, can you show this committee that there existed other evidence that this property was worth more than \$125,000?

Mr. COLLINS. I have none to display to you, sir. I can only recite that I understand that members of the general public unidentified to me have, and I feel seriously, mentioned to our board of directors or to our loan committee that they should like to buy the property at a price considerably in excess of that which we lent upon it.

Senator SCOTT. Would you identify the members, the persons who have indicated they would like to buy this property, and would you identify the members of the board to whom these comments were made?

Mr. COLLINS. No, sir. This was made in general conversation. I did not attempt to keep track of who said what to whom.

Senator SCOTT. Therefore you accepted the fact, or you have asked us to accept the fact, that you believed that this property was worth more than the bank paid for it because you overheard some gossip, conversation, or rumors?

Mr. COLLINS. No.

Senator SCOTT. Between unidentified persons and unidentified members of your board?

Mr. COLLINS. No, sir.

Senator SCOTT. You, as a banker, are not saying that?

Mr. COLLINS. That is not correct and that is not, sir, what I said, if you will excuse me. I have said that subsequent to all of this, and at a relatively recent date, I have understood that offers to buy have been voiced.

Senator SCOTT. You mean that the property has now gained some historical value perhaps?

Mr. COLLINS. Senator, I wouldn't have you feel that I would be facetious. This is, I am sure, too serious for that. I feel—and I will not attempt to qualify as an expert, and I did not make an inspection of the property—I am definitely of the opinion that Mr. Baker made an unusually advantageous purchase. My loan memorandum, I believe, recites it in that vein.

Senator SCOTT. You thought that Mr. Baker was then making an unusually advantageous purchase?

Mr. COLLINS. That was my feeling at the time, as I recited it in my loan memorandum, I believe, and I have had no reason to change that viewpoint. I believe the property—and I will not attempt to substantiate the statement, it is my belief, gained from wherever, that it is indeed worth well more than \$125,000.

Senator SCOTT. Will you point out where you made the statement that you believed he made an unusually advantageous purchase?

Mr. COLLINS. I will have to read the whole thing from the start. Do you want me to do so?

Senator SCOTT. On 4(a) you refer to it as a superior location, and so forth.

Mr. COLLINS. I don't find that readily in the wording. May I read this?

Senator SCOTT. You may read it, but I will say before you read it, I do not find in the wording what you have just said. If you can extract it, I will be glad to hear it.

Mr. COLLINS. I believe the first sentence is a recitation of that thought. The first sentence under date of March 11—

Senator SCOTT. It says, "to make and complete the very favorable purchase from his viewpoint of a new residence." This is what you said. Therefore it was not a statement of your judgment that it was an advantageous purchase, but a statement of a man seeking to obtain a loan that he got a good property. Isn't that what it says?

Mr. COLLINS. If you read it that way, sir, Mr. Baker—

Senator SCOTT. What other way would you read it?

Mr. COLLINS. The way I have said.

Senator SCOTT. How?

Mr. COLLINS. That I still feel that he made an advantageous purchase; that I felt he was making one at the time.

Senator SCOTT. You said the loan statement showed that, Mr. Collins.

Mr. COLLINS. He said both, sir. Senator Cooper, I said both, that I relied upon the value of the property as well as his financial statement. I linked the two together, and they are still linked.

Senator SCOTT. You said that you had been meeting with success on the west coast and it is felt that their efforts should meet with at least equal success to that which they have had on the east coast, referring to the fact they were coming into the eastern seaboard area.

Where did you get the information that said you had done well in the West and looked forward to doing well in the East?

Mr. COLLINS. From the description of the business.

Senator SCOTT. Who furnished the description of the business?

Mr. COLLINS. I don't recall whether Mr. Baker furnished that description or Mr. Tucker, or both.

Senator SCOTT. Then the description—

Mr. COLLINS. Or others.

Senator SCOTT. What, or what?

Mr. COLLINS. Or others.

Senator SCOTT. The description then came either from Mr. Baker or Mr. Tucker or others. Would you name the others?

Mr. COLLINS. No. I only made that because I cannot be certain as to who I may have talked to approximately a year ago.

Senator SCOTT. I understood you to say earlier that you had not discussed Serv-U, its assets, or its prospects with anyone. You now say that you may have talked with others. Which statement is correct?

Mr. COLLINS. I am sorry. Will you straighten me out? I don't understand your question.

Senator SCOTT. Earlier you said that you had not discussed the value of Serv-U's assets or the Serv-U Corp.—

Senator CANNON. Senator Scott, I think maybe you had better ask him if he said that, because counsel and I have no recollection of the record reflecting what you stated. You might ask him if he did make such a statement.

Senator SCOTT. We can have the whole thing read back if you like, but Mr. Collins, did you not state in answer to questions from counsel that you caused no investigation to be made of Serv-U? Let's take it step by step.

Mr. COLLINS. We were speaking at that time of their balance sheet, I believe, and if I remember correctly again, the question put to me was if I made direct inquiry into the value of their several assets, et cetera, to which I replied in the negative.

Senator SCOTT. Did I not ask you at the beginning of my questioning something to this effect: Did you not make this loan without any investigation of Carousel or Serv-U, and did you not answer then that you did make the loan without investigation of Carousel or Serv-U?

Mr. COLLINS. Insofar as determination or verification of specific assets, you did ask that question, and I did reply, I believe, as you indicate. However, that is not the context in which we are now discussing Serv-U, Senator Cooper.

Senator SCOTT. All right; you are saying then that you discussed, you got your information and your memorandum on Serv-U either from Mr. Baker or Mr. Tucker or others, and you cannot tell us who the others were?

Mr. COLLINS. No.

Senator SCOTT. And you have no way by which you could ascertain who these so-called others were?

Mr. COLLINS. If any.

Senator SCOTT. If any?

Mr. COLLINS. No, sir.

Senator SCOTT. Did you ever check up on the nature of the business done by Serv-U on the west coast or communicate with any of the companies with whom they did business?

Mr. COLLINS. I did not.

Senator SCOTT. And therefore wherever you received this information, you took it at face value and included it in your recommendation; did you not?

Mr. COLLINS. I did.

Senator SCOTT. And you did not know that, as the statement was made here a few moments ago, Serv-U is insolvent?

Mr. COLLINS. I have no knowledge of their insolvency.

Senator SCOTT. In other words, you are continuing the bank loan without any effort whatever to find out as to the solvency of the assets furnished by a loan applicant.

Mr. COLLINS. I have no knowledge of their insolvency. I am continuing the loan according to its terms. If they were insolvent, as long as their loan with me is current and up-to-date, in accordance with its own terms, even if I knew they were utterly bankrupt, I couldn't very well do much about it; could I?

Senator SCOTT. Yes; you could do one thing. You could stop being so complacent about the value of your loan, Mr. Collins.

Mr. COLLINS. I am not complacent about the value of my bank's assets, Senator Cooper.

Senator SCOTT. My name is Scott. I don't want Senator Cooper, who is a very kindly gentleman, to be damaged by anything I may say.

Mr. COLLINS. I beg your pardon, sir.

Senator SCOTT. Who is Max Kampelman?

Mr. COLLINS. Mr. Kampelman is a member of the board of directors of our bank. He is an attorney by profession and a citizen of Washington.

Senator SCOTT. Didn't he call you and tell you to try to make the \$125,000 loan to the bank?

Mr. COLLINS. I haven't the least remembrance.

Senator SCOTT. You can't recall that?

Mr. COLLINS. No.

Senator SCOTT. Do you know whether or not Baker later called Mr. Kampelman and thanked him and praised a Mr. Tichtman for the way he solved the "covenant problem"?

Mr. COLLINS. I beg your pardon. Would you repeat that, sir?

Senator SCOTT. Do you know whether Mr. Baker later called Mr. Kampelman and thanked him, and in the course of the conversation praised a Mr. Tichtman—I believe it is, T-i-c-h-t-m-a-n—or Lichtman, for the way he solved the "covenant problem"?

Mr. COLLINS. I have no specific knowledge of that. I did understand that Mr. Baker did express his thanks for the service that he had received.

Senator SCOTT. To whom?

Mr. COLLINS. I can't state that.

Senator SCOTT. You know he expressed his thanks, but you don't know whom he thanked?

Mr. COLLINS. He may have thanked me.

Senator SCOTT. I was going to say we are getting into an Alice in Wonderland situation.

Mr. COLLINS. No; we are not.

Senator SCOTT. Yes, you are.

Mr. COLLINS. No, sir.

Senator SCOTT. Because you say that Mr. Baker thanked somebody at the bank, and you don't know whom he thanked, then you don't know whether he thanked somebody or not.

Mr. COLLINS. Mr. Chairman—

Senator SCOTT. I am just applying a little logic there, Mr. Collins.

Mr. COLLINS. Mr. Chairman, may I make a reply to more illustrate the propriety of the reply I have already made?

Senator CANNON. You may, sir.

Senator SCOTT. You go right ahead. You are among friends, Mr. Collins, including myself.

Mr. COLLINS. A man sitting in my position in a bank talking to upward of 50 persons a day, every single day that the bank is open, isn't going to remember from last March the 11th or 12th or last April who said what, when, to whom.

Senator SCOTT. Or who lent what, when, to whom.

Mr. COLLINS. That is unkind.

Senator SCOTT. Well, haven't you said that you have a faulty recollection as to who lent what to whom and under what circumstances?

Mr. COLLINS. No, sir; I have not said that. I know to whom I lent money.

Senator SCOTT. But you are not aware of the condition of Serv-U. You had not checked it; is that right?

Mr. COLLINS. If you say so.

Senator SCOTT. I am not saying so. I am asking you.

Mr. COLLINS. No; I am not aware by direct inquiry, in the sense that you are describing, of Serv-U in that detail.

Senator SCOTT. You are the trustee of this loan. Were you the trustee or not? Are you the trustee of the loan of \$125,000? Let me get that straight.

Senator CANNON. Is that the loan or the deed?

Senator SCOTT. Are you the trustee of the property under the deed of trust? Is that right? There is no trust loan here.

Mr. COLLINS. No, sir; I am not.

Senator SCOTT. What is Mr. Hancock's position in the matter; rather, Mr. Tucker's position in this matter?

Mr. COLLINS. Today?

Senator SCOTT. Yes; in relation to this transaction.

Mr. COLLINS. So far as I am aware, nothing.

Senator SCOTT. All right. I will stay here as long as you like.

Mr. COLLINS. I asked you today and you said yes.

Senator SCOTT. All right; go ahead and fence with me. We will still get the facts.

Mr. COLLINS. I am not going to fence with you.

Senator SCOTT. Mr. Tucker is trustee under a deed of trust here, is he not?

Mr. COLLINS. Not necessarily.

Senator SCOTT. Who is the trustee?

Mr. COLLINS. I believe there is none.

Senator SCOTT. Who owns the property?

Mr. COLLINS. I do, as nominee.

Senator SCOTT. So you are making this distinction between nominee and trustee, which is a just one.

Mr. COLLINS. There is a distinction, sir.

Senator SCOTT. There is a distinction. Now, did Mr. Tucker at any time take title, legal or equitable, to this property?

Mr. COLLINS. Legal.

Senator SCOTT. Your answer is he took legal title?

Mr. COLLINS. Yes, sir.

Senator SCOTT. Mr. Baker never took title to the property, did he?

Mr. COLLINS. No, sir.

Senator SCOTT. Mr. Collins, I will read you the 12th provision under this deed of trust made the 13th of September 1962 in which this property is described. The 12th provision reads as follows:

No part of the land herein conveyed shall ever be used or occupied by or sold, demised, transferred, conveyed unto or in trust for, leased or rented or given to Negroes or person or persons of Negro blood or extraction or to any person of the Semitic race, blood, or origin which racial discrimination shall be deemed to include Armenians, Jews, Hebrews, Persians, and Syrians, except that: this paragraph shall not be held to exclude partial occupancy of the premises by domestic servants of the owners thereof, their heirs and assigns.

Now, we will go through it very patiently. You are aware of the deed of trust to which I am referring?

Mr. COLLINS. Yes, sir.

Senator SCOTT. You are aware of the covenant which I have read?

Mr. COLLINS. Yes, sir.

Senator SCOTT. The covenant was in the deed of trust?

Mr. COLLINS. Yes, sir.

Senator SCOTT. And when Mr. Tucker became trustee—by the way, was the deed recorded, the deed itself of April 1963, the 23d?

Mr. COLLINS. Which deed was that, sir?

Senator SCOTT. The deed of April 23, 1963, by and between Ernest C. Tucker, trustee acting in accordance with an unrecorded trust agreement dated April 22, 1963, party of the first part, and William F. Collins, party of the second part?

Mr. COLLINS. That deed was recorded.

Senator SCOTT. When?

Mr. COLLINS. In the recording office of the District of Columbia.

Senator SCOTT. When?

Mr. COLLINS. I cannot give you the specific date. I believe the investigative staff has, or so I thought I was informed—

Senator SCOTT. Yes; we have it from the Recorder of Deeds. It was recorded January 17, 1964, at 10:08 a.m., further described as instrument No. 01712 N. Liber, 12138 at folio 593. Why the delay in recording the deed?

(Copies of the deeds of trust are in the committee's files.)

Mr. COLLINS. That was held for use when, as, and if it should be desired to be used.

Senator SCOTT. What happened that made it desired to be recorded on January 17?

Mr. COLLINS. I think one may fairly say this current investigation.

Senator SCOTT. The bank then became alerted; is that right, sir?

Mr. COLLINS. Alerted?

Senator SCOTT. You said the current investigation was the reason for your—

Mr. COLLINS. But I didn't understand your last word. I cannot hear it.

Senator SCOTT. Alerted to the fact the investigation was going on.

Mr. COLLINS. Yes.

Senator SCOTT. And when you became alerted and recorded the deed, did you then check on any of the assets alleged to be held by Mr. Baker?

Mr. COLLINS. No, sir.

Senator SCOTT. This deed refers back to the unrecorded trust agreement of which Mr. Baker is identified as the trustee; is that right?

Mr. McLENDON. The trust instrument from which you read is the deed of trust to Mr. Joseph A. DiCesare, trustee, and he conveyed it to Tucker, and Tucker conveyed it to Mr. Collins. The paragraph you read is in the deed of trust of DiCesare.

Senator SCOTT. I am glad to have your help there. I was uncertain.

Mr. McLENDON. We don't have that in the deeded document here, the one from DiCesare to Tucker.

Senator SCOTT. Do you have possession of the intervening document between DiCesare and Tucker?

Mr. COLLINS. Personally, no; I do not.

Senator SCOTT. Does the bank have?

Mr. COLLINS. I believe so, or a copy of it.

Senator SCOTT. We have a copy, the 23d of April 1963, when DiCesare trustee and the Ten Ten Travis Corp. conveyed to Ernest C. Tucker, trustee under the unrecorded trust dated April 22, 1963, party of the second part. So Mr. Tucker was the trustee then under this unrecorded deed of trust. Is that right?

Mr. COLLINS. I believe so.

Senator SCOTT. Mr. Baker, although owner of the property, never took title to the property in his own name?

Mr. COLLINS. That is correct.

Senator SCOTT. But Mr. Baker occupies the property under the covenant which is paragraph 12 of the deed—is that not so—of the deed of trust?

Mr. McLENDON. Senator, that wouldn't be correct. The deed of trust to DiCesare is the one that contains this covenant in it to which you called attention. When he conveyed it to Tucker, those covenants were eliminated, and when Tucker conveyed it to Collins, the covenants are eliminated.

Senator SCOTT. But the covenants were there under the original deed of trust. Well, we will do it the long way or the short way. Let me put it this way: The purpose of these various transactions was to produce as the end result a deed which on the face of the deed did not show the covenants on Mr. Baker's property; isn't that right?

Mr. COLLINS. No, sir; I don't believe that is correct. May I reply, however, in order to be responsive, among other things the deeding into me of this property was not to show or to fail to show these covenants. Deeding into me was specifically in the bank's interest, closer interest. The result was the abnegation of that restrictive covenant which I believe has thus been accomplished. I am not an attorney so I will not attempt to discuss that legal point.

Senator SCOTT. But did not Baker at one time say to you in words to this general effect, that in view of his position as majority secretary

of the Senate, he would be embarrassed if this covenant were in the deed that was recorded?

Mr. COLLINS. Yes; I believe he did, but that was only part of what he said.

Senator SCOTT. What else did he say?

Mr. COLLINS. He said to this effect, and I am not quoting him verbatim for I cannot, that as much as he should like to own this house, to occupy it, that he could not in good conscience do so with this covenant.

Senator SCOTT. And so the transaction—

Mr. COLLINS. For my own part as a man who is an American, born a citizen, not of Anglo-Saxon descent, I subscribe to his feelings.

Senator SCOTT. Why, Mr. Collins, I think we all subscribe to—

Mr. COLLINS. I am sure you do, sir.

Senator SCOTT. We all subscribe to the feeling that there should not be covenants in deeds which are restricted against other American citizens.

What I am bringing out here is there was such a covenant in that deed, and I myself do not think it has been removed by a device whereby a deed is recorded showing the title or showing an equitable, a legal, title to someone holding that legal title for Mr. Baker, whereas the unrecorded instrument still contains the covenant.

So I appreciate your Americanism, and I congratulate you for it, but I do not believe that I find it relevant whether or not Mr. Baker has concealed the existence of the covenants, because it would embarrass him as secretary of the majority at that time to have it become known.

Senator CANNON. Senator Scott, do you contend that the covenant has been violated?

Senator SCOTT. I don't contend it has been violated. I understand Mr. Baker and his wife still live in the premises, and Mr. Baker will have to say whether or not that occupancy violates the covenant. I am talking about the evasion of the covenant.

Senator CANNON. I think the original deed, Senator Scott, does show on its face that it was recorded. The original deed of trust which contains the covenant shows the recording number and the recording date on it. So I believe that it is fair to say that the covenant is a matter of record on the original deed. That is the deed from W. C. & A. N. Miller Development Co. to Mr. Joseph A. DiCesare which is dated September 13, 1962.

Senator SCOTT. Yes. Senator Cannon, my contention is that it is unrecorded in regard to Mr. Baker or Mr. Baker's ownership under the trusteeship of Mr. Tucker, and that transaction showing that the deed to Mr. Tucker resting on an unrecorded trust agreement between DiCesare and Tucker remained unrecorded until the 17th of January 1964, and when recorded I don't think shows the covenant. When recorded it does not show the covenant.

Mr. McLENDON. The document is the same. It was never changed.

Senator SCOTT. The first document wasn't changed.

Mr. McLENDON. That is right.

Senator SCOTT. I am not contesting the first document.

Mr. McLENDON. That is the only one that has the covenant in it.

Senator SCOTT. I am talking about the fact that the deed showing Tucker as trustee does not show the covenant; is that right?

Senator CANNON. Are you complaining then that the covenant was not included in the deed to Mr. Tucker?

Senator SCOTT. The Senator can make all the political statements he wants, but I wouldn't dignify that one with an answer. The Senator is concerned about civil rights. We will leave that to the question of our records. The final deed, the last one recorded, the 23d day of April in the year 1963 by and between Ernest C. Tucker, trustee, acting in accordance with an unrecorded trust agreement dated April 22, 1963, and William F. Collins has been recorded and does not show the covenant.

Mr. Collins has said he leaves it up to a lawyer as to whether that is an evasion of the covenant, whether this removes the covenant or not. I believe you said that you were not a lawyer, but at least let the record show so far as Baker and his partner, Tucker, are concerned, any deed coming to them no longer shows whether the covenant is there or is not there.

The legal conclusion is up to someone else here rather than to the witness. That was the purport of my question.

Mr. McLENDON. I am only interested in keeping the record straight. I think the conveyance to Tucker and the conveyance from Tucker to Collins do eliminate the covenants, because the covenants are not repeated. It is a straight-out conveyance without any reference to any covenants other than covenants of warranty that are commonly found in deeds.

Senator SCOTT. May I see it again? The conveyance eliminates a great deal of other material also in the earlier deed of trust and conveys nothing whatever. It does not say what is in the unrecorded deed. It doesn't make any reference to other paragraphs which are contained in the unrecorded deed. It is a simple conveyance of property, and the relationship of this deed to the unrecorded deed of trust and to the covenant contained therein, is, I still submit, a matter of legal interpretation.

My questions, however, have been directed not only to that but to whether or not there was not actually a purpose of evasion in covering up the existence of a covenant; that has to be determined, I think, from all the testimony which we can get from various witnesses. I think that is all, Mr. Chairman.

Mr. McLENDON. Mr. Chairman, I suggest that, since a legal question has been raised, in order to get this record complete, the two intervening conveyances be offered in evidence.

Senator CANNON. I believe we have one of them.

Mr. McLENDON. We have the original.

Senator CANNON. The transfer from Tucker to Collins is already a matter of record. So is the major transfer from DiCesare to Tucker. Without objection that will be submitted to the reporter to be made a part of the record.

(The document referred to follows:)

COLLINS EXHIBIT 1

12866
CORPORATE DEED IN FE

BOOK PAGE
11987 371 APR 30 1 32 PM



This Deed

Made this 23 day of April in the year 1963, by and between Joseph A. DiCesare, Trustee under a Deed in Trust dated September 13, 1962 and recorded in Liber 11868 at folio 398, among the Land Records of the District of Columbia, and as Trustee under an unrecorded Trust Agreement dated September 13, 1962 between Ten Ten Travis Corporation, Trustor and Joseph A. DiCesare, Trustee, and Ten Ten Travis Corporation a body corporate under and by virtue of the laws of the State of Delaware acting herein pursuant to a resolution of its Board of Directors, party of the first part, and

Ernest C. Tucker, Trustee under an unrecorded Trust Agreement dated April 22, 1963 part y of the second part:

Witnesseth: that for and in consideration of the sum of Ten Dollars (\$10.00), receipt whereof is hereby acknowledged, the said party of the first part does grant unto the said party of the second part, in fee simple, the following described land and premises, situate in the District of Columbia and known and distinguished as

Part of Lot numbered Twenty-six (26) in the subdivision of parts of the tracts of land called "Friendship", "St. Philip and Jacob", made by the Receiver in Equity Cause No. 2764 in the United States District Court for the District of Columbia and recorded in Liber Levy Court 2 at folio 68 in the Office of the Surveyor for the District of Columbia described in accordance with a plat of survey recorded in Survey Book 181 at page 169 in the Surveyor's Office, as follows: Beginning for the same in the northerly line of Van Ness Street as dedicated and shown on plat recorded in Liber 137 at folio 130 of the said Surveyor's Office Records, at the end of the three following courses and distances from the westerly line of 50th Street, as dedicated and shown on said plat recorded in Liber 137 at folio 130 of said Surveyor's Office Records: (1) westerly on the arc of a circle deflecting to the right the radius of which is 1586.49 feet, an arc distance of 305.00 feet to a point of reverse curve; (2) still westerly on the arc of a circle deflecting to the left, the radius of which is 775.0 feet, an arc distance of 269.02 feet to a point of tangent; (3) South 82°00'00" west 44.21 feet to the place of beginning; thence along the northerly line of Van Ness Street, South 82°00'00" west 120 feet to a peg; thence North 8°00'00" west 135.0 feet to a peg; thence North 82°00'00" east 120 feet to a peg; thence southeasterly 130.0 feet to a drill hole in top of curb and the place of beginning. Said property being now known for assessment and taxation purposes as Lot numbered Eight Hundred Nineteen (819) in Square numbered Fourteen Hundred Sixty-seven (1467).



together with all and singular the ways easements, rights, privileges and appurtenances to the same belonging or in anywise appertaining, and all the estate, right, title, interest, and claim, either at law or in equity, or otherwise however, of the said party of the first part, of, in, to, or out of the said land and premises.

And the said party of the first part covenants that it will warrant specially the property hereby conveyed, and that it will execute such further assurances of said land as may be requisite.

In Testimony Whereof, the said ~~party of the first part~~ Ten Ten Travis Corporation hereinbefore written, has had its corporate seal hereto attached, and caused these presents to be signed with its corporate name by W. D. Walser its Vice President, attested by L. R. Spence its Assistant Secretary, and has appointed the said W. D. Walser to be its attorney, the same to acknowledge and deliver according to law, and the said Joseph A. DiCesare, Trustee has hereunto set his hand and seal on the day and year first hereinbefore written.

Signed, sealed and delivered in the presence of:-
Edging Young Jr.

TEN TEN TRAVIS CORPORATION - Trustor
By W. D. Walser Vice President
Attest: Joseph A. DiCesare Assistant Secretary
Joseph A. DiCesare - Trustee (SEAL.)

1210 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

COLLINS EXHIBIT 1—Continued

STATE OF TEXAS
 COUNTY OF HARRIS

BOOK PAGE
 11987 372

to wit:

I, Elois B. Weatherall, a Notary Public in and for the State of Texas, do hereby certify that W. D. Walser, who is personally well known to me as the person named as Vice President in the foregoing Deed, bearing date on the 23rd day of April, A. D. 1963, and hereto annexed, personally appeared before me in said District State & County and as attorney in fact of the grantor therein, and by virtue of the authority vested in him by said Deed, acknowledged the same to be the act and deed of Ten Ten Travis Corporation



Given under my hand and seal this 24th day of April, A. D. 1963

Elois B. Weatherall
 Notary Public,
 in and for Harris County, Texas
 My Commission Expires June 1, 1963.

I hereby certify that the execution and delivery of the foregoing and annexed Deed by W. D. Walser, Vice President of Ten Ten Travis Corporation was ratified by resolution of the Board of Directors of Ten Ten Travis Corporation at a regularly called meeting of said Board of Directors on the 26th day of April, 1963, and that a quorum was present at said meeting.



S. B. Spence
 Assistant Secretary

1375
 1 of 1 of 1625

86 E	FROM	To	day of	A. D. 19	30	32 PH '63
Corporate Deed in Deed			Received for Record on the	at	of	Ready Title Insurance Company, Inc.
			at	clock M. and recorded in	of	WASHINGTON OFFICES
			Liber No. <u>1187</u> at Folio <u>371</u> et seq.	one of the Land Records for		1424 K STREET, N.W.
			<u>John S. P. Kelly</u>			2501 WISCONSIN AVENUE, N.W.
						708 KENNEDY STREET, N.W.
						SILVER SPRING OFFICE
						1907 BONIFANT STREET
						MYATTVILLE OFFICE
						2803 BALTIMORE AVENUE
						MAIL
						<u>Edward C. Tucker</u>
						<u>500 P 24 Ave</u>
						<u>Wash DC</u>

DISTRICT OF COLUMBIA, TO-WIT:

I, Dianne H. Hall, a Notary Public in and for the District aforesaid, do hereby certify that Joseph A. DiCesare, Trustee, party to a certain deed bearing date on the 23rd day of April, 1963, and hereto annexed, personally appeared before me in said District, the said Trustee being personally well known to me as the person who executed the said deed and acknowledged the same to be his act and deed.

WITNESS my hand and official seal this the 23rd day of April, 1963.



Dianne H. Hall
 Notary Public

APR 30 63 2 48 38 PM '63
 My Commission Expires July 14, 1966.

COLLINS EXHIBIT 1—Continued

00700

0003 PAGE 121193 5311 JAN 17 10 00 AM '68
QUIT CLAIM DEED

KNOW ALL MEN BY THESE PRESENTS:

That I, LORRAINE H. TUCKER, now residing at 2458 Frontaw Road, N.W. in the District of Columbia, wife of Ernest C. Tucker, in consideration of the sum of Ten Dollars (\$10.00) and for other good and valuable considerations, receipt of which are hereby acknowledged, do hereby grant, remise, release and forever quitclaim unto the said Ernest C. Tucker, his heirs and assigns forever, all the dower right (or its statutory equivalent, if replaced, modified or superseded by statute) title, interest and demand whatsoever which I may have in law or in equity, in the lands, tenements and hereditaments of the said Ernest C. Tucker, (described and known as 5155 Van Ness Street, N.W., Washington, D. C., said property being now known for assessment and taxation purposes as lot numbered eight hundred nineteen (819) in Square numbered fourteen hundred sixty-seven (1467), including all land underlying and surrounding the said property, so that neither I, my heirs, executors, administrators or assigns, nor any other person or persons for me, shall have any claim, demand or right of dower (or equivalent as aforesaid) in and to the said lands and properties, or any part thereof, but shall be utterly barred and excluded forever.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 17th day

of April, 1968.

WITNESSES:

James H. Roth

Lorraine H. Tucker (SEAL)
Lorraine H. TUCKER

DISTRICT OF COLUMBIA, SS:

On this 17th day of April, 1968, before me, the undersigned officer,

personally appeared Lorraine H. Tucker, known to me (or satisfactorily proved

to be the person whose name is subscribed to the within instrument and acknowledged

to be the same) and executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



Timothy D. Korman
My Commission Expires July 31, 1968

1212 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

COLLINS EXHIBIT 1—Continued

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U.S. DEPARTMENT OF JUSTICE
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WASHINGTON, D.C.
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AMERICAN [unclear]

Senator CANNON. Mr. Collins, have you ever requested Mr. Baker to use his influence on behalf of the bank at any time?

Mr. COLLINS. No; never.

Senator CANNON. Has he ever, so far as you know, used his influence on behalf of the bank?

Mr. COLLINS. No, sir.

Senator CANNON. Have you ever requested any other officer or employee of the Senate to use his influence or perform any actions on behalf of the bank?

Mr. COLLINS. No, sir.

Senator CANNON. So far as you know has any other officer or employee used his influence on behalf of the bank—officer or employee of the U.S. Senate?

Mr. COLLINS. No, sir; with this possible exception, sir: If any among them might by any chance be a stockholder of the bank, and I do not know if they may or may not be, or if any of them might be a depositor of my bank, certainly every single day with every single person that I meet I make it a point to say to them, "If you like our bank, if you are pleased at all with that service which we render, we would appreciate your recommending us to your friends." Again, if that is asking them to exert influence, yes, sir; I do that.

Senator CANNON. Thank you very much, Mr. Collins.

Senator SCOTT. Mr. Collins, did you not ask Mr. Baker to intervene with Members of the Senate to secure a banking facility within the Capital area?

Mr. COLLINS. No, sir; I did not ask him to intervene, but I am aware of that which you refer to, and if I may, please, I should like to explain that or answer you in words of my own.

Senator SCOTT. If Mr. Baker is not involved, you don't need to answer it further.

Senator CANNON. You may make an explanation if you desire. Any time the witness is asked a question, if he desires to make an explanation, while I am acting as chairman I will rule that he has that right.

Senator SCOTT. I will also repeat my comment that if the witness does not wish to answer, because he wishes to say Mr. Baker is not involved, he also has that right.

Mr. COLLINS. May I reply, sir?

Senator CANNON. You may reply if you so desire.

Mr. COLLINS. I on one occasion asked Mr. Baker if he would perform the courtesy of introducing me to Senator Jordan for the purpose of inquiring of Senator Jordan whether there would be any wish or disposition on the part of the Senate Rules Committee or of the Senate of the United States to have a banking facility established in the Senate Office Building. Mr. Baker agreed to make such an introduction, and he did so, and he performed no other function beyond that physical introduction of me and several of my associates to Senator Jordan. We thereupon made known to Mr. Jordan—

Senator SCOTT. Mr. Collins, to complete the record, Senator Jordan advised you that there would be no banking facilities here, and since yours was the last bank to apply, it was very probable that it would not be considered if there were facilities considered here; is that correct?

Mr. COLLINS. He subsequently did so advise us; yes.

Senator SCOTT. I think it should be stated in fairness to him that that is what happened.

Mr. COLLINS. I have not finished. I would have gotten to that point, but you anticipated me, and you have done quite correctly.

Senator SCOTT. A very timely anticipation, I would think.

Senator CANNON. Do you have any other questions, Senator Scott?

Senator SCOTT. No.

Senator CANNON. Counsel?

Mr. McLENDON. No.

Senator CANNON. Thank you very much, Mr. Collins, for appearing here without subpoena, in an effort to help this committee. We appreciate it.

Mr. COLLINS. I will reappear at any time that may suit your pleasure, and no subpoena shall ever be necessary.

Senator CANNON. Thank you, sir.

The committee will stand in recess until 2 o'clock, at which time Mr. Armstrong will appear here in open session.

(Whereupon, at 1:15 p.m., the committee was in recess, to reconvene at 2 p.m., the same day.)

AFTERNOON SESSION

(Present: Senators Jordan, Cannon, and Pell.)

The CHAIRMAN. The committee will please come to order.

Mr. ARMSTRONG, were you here this morning, and did you hear this statement read?

Mr. ARMSTRONG. No, sir.

The CHAIRMAN. According to the rules of this committee, and in order that you might know by what authority you are here this afternoon, it is necessary that I read this statement for your benefit.

This committee is acting by direction and under the authority of Senate Resolution 212, agreed to October 10, 1963, and Senate Resolution 291, agreed to February 10, 1964.

Senate Resolution 212 authorizes and directs the Senate Committee on Rules and Administration—

to make a study and investigation with respect to any financial or business interests or activities of any officer or employee or former officer or employee of the Senate, for the purpose of ascertaining:

(1) Whether any such interests or activities have involved conflicts of interest or other impropriety; and

(2) Whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or restricting any such activities.

Witnesses have been interviewed by the staff and heard both in executive and public sessions. Considerable evidence has been obtained and testimony received to date.

Witnesses who have appeared previously, or who will be called in the future, possess information which the committee believes is material and pertinent to the provisions of the resolutions of direction and authorization and which will aid the committee in fulfilling its legislative purpose.

The Chair advises each witness that he is entitled under the rules of procedure of the committee to retain and be accompanied by counsel. The counsel may advise the witness of his legal rights during

the course of his testimony. Should the witness not fully understand any question, witness may ask for clarification. Counsel, however, shall not coach the witness, or answer for the witness.

The committee will now proceed to hear the testimony of Mr. William R. Armstrong.

Mr. Armstrong, will you please rise and take the oath? Place your left hand on the Bible, please, sir, and raise your right hand. Do you solemnly swear that the testimony you are about to give to this committee in the matter under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ARMSTRONG. I do.

The CHAIRMAN. Thank you very much, sir. Have a seat.

Counsel, you may proceed with the questioning.

Mr. McLENDON. Mr. Armstrong, have a seat.

Mr. Chairman, before proceeding with the examination of this witness, I would like to have your permission to correct a mistake that I made this morning.

In asking a question of the witness Collins, through a slip of the tongue I used the name of Serv-U, when I intended to use the name Carousel. My question implied that the company was insolvent.

I did not intend to say or suggest that Serv-U was insolvent or that the committee has any evidence it is insolvent. What I had reference to was the testimony of Mr. Black and Mrs. Novak to the effect that the Carousel was insolvent. I hope that the press will take note of my mistake and correct it.

Would you state your name, please?

**TESTIMONY OF WILLIAM R. ARMSTRONG, ACCOMPANIED BY
HANS A. NATHAN, COUNSEL**

Mr. ARMSTRONG. William Robert Armstrong.

Mr. McLENDON. What is your residence address?

Mr. ARMSTRONG. 35 Buckskin Lane, Rolling Hills, Calif.

Mr. McLENDON. Do you have your personal counsel present with you this afternoon?

Mr. ARMSTRONG. Yes; I do.

Mr. McLENDON. Would he state his name and address?

Mr. NATHAN. Hans A. Nathan, 729 15th Street NW., Washington, D.C.

Mr. McLENDON. Mr. Armstrong, prior to the organization of the Serv-U Corp., were you associated with Mr. Eugene Hancock in operating a vending business in Florida?

Mr. ARMSTRONG. Yes, sir; I was.

Mr. McLENDON. How—

Mr. ARMSTRONG. I worked for Mr. Hancock in Miami, Fla.

Mr. McLENDON. How long had you worked for him?

Mr. ARMSTRONG. As my memory recalls, approximately a year and a half—2 years. I think about 2 years, sir.

Mr. McLENDON. Did you have any ownership in that business?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. You were employed on a salary?

Mr. ARMSTRONG. I was employed on a salary, and I was told that if the company ever made any money or did well, that I would participate, but I never owned any stock.

Mr. McLENDON. Did you have the title of manager?

Mr. ARMSTRONG. I was called vice president; yes, sir.

Mr. McLENDON. Had you had any experience in the vending machine business prior to your working with Mr. Hancock?

Mr. ARMSTRONG. No, sir; I had not.

Mr. McLENDON. When did you become associated or connected with or employed by the Serv-U Corp.?

Mr. ARMSTRONG. Would you like to know when I first knew about it or when I first went to work?

Mr. McLENDON. From the beginning; yes.

Mr. ARMSTRONG. It seems to me that in the first week of January of 1962 Mr. Hancock advised me that he had been to California discussing some vending machine operations, and that he would like for me to go back to California with him and make a survey, and I said I would be very happy to do so.

Mr. McLENDON. Did he tell you what company he was speaking for?

Mr. ARMSTRONG. At that time?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. I believe he told me Serv-U; yes.

Mr. McLENDON. Was anything said about merging the company owned by Mr. Hancock with this new company to be called Serv-U?

Mr. ARMSTRONG. I asked Mr. Hancock why it would not be called Automatic Vending, and he told me that the reason it would not be called Automatic Vending is that the name Automat Vending was already incorporated in the State of California and could not be used. As far as the merger part, I did not discuss this with him at all.

Mr. McLENDON. Was it ever considered, so far as you know, that Mr. Hancock's business was to be sold to Serv-U?

Mr. ARMSTRONG. There was discussion of it; yes, sir.

Mr. McLENDON. There was discussion of it?

Mr. ARMSTRONG. Yes.

Mr. McLENDON. No agreement was ever reached?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. Now, when you went to California with Mr. Hancock, I believe you say that you were told that he had already been out there?

Mr. ARMSTRONG. Yes; he had been; yes.

Mr. McLENDON. Had any of the contracts been negotiated with any companies?

Mr. ARMSTRONG. Not as far as I know; no, sir.

Mr. McLENDON. What happened when you and he arrived in California?

Mr. ARMSTRONG. We went to California, and as I recall Mr. Hancock took me over to North American Aviation, said he had an appointment there with a Mr. Lee Taylor. We went over to Mr. Taylor's office, and I met with Mr. Taylor.

Mr. McLENDON. Then what happened?

Mr. ARMSTRONG. As I recall, Mr. Taylor called in Mr. Kenneth Kellough, and advised him that he would like for him to take us around and show us some of the equipment in some of the divisions of North American Aviation.

Mr. McLENDON. Did you at that time learn that Mr. Black—Fred Black—had had any contact with North American about the proposal of Serv-U to do their vending?

Mr. ARMSTRONG. No, sir; I didn't even know Mr. Black at that time.

Mr. McLENDON. You didn't know him at that time?

Mr. ARMSTRONG. No, sir.

(At this point of the proceedings, Senator Curtis entered the committee room.)

Mr. McLENDON. How long did you and Mr. Hancock stay in California at that time?

Mr. ARMSTRONG. As I recall, it was 8 days.

Mr. McLENDON. And did Mr. Kellough go with you to Florida or did he come later?

Mr. ARMSTRONG. No, sir. He came after we returned to Florida.

Mr. McLENDON. Were you in Florida when he arrived?

Mr. ARMSTRONG. Yes; I was.

Mr. McLENDON. Did you show him around the business operated by Mr. Hancock?

Mr. ARMSTRONG. I showed him around partially; yes. Mr. Hancock showed him around partially, also.

Mr. McLENDON. And then how long was it before you went back to California?

Mr. ARMSTRONG. As I recall, I went back to California on February 6 of that same year.

Mr. McLENDON. At the time you went back to California on February 6, was Serv-U actually organized?

Mr. ARMSTRONG. As far as I know, yes, sir.

Mr. McLENDON. Were you a stockholder?

Mr. ARMSTRONG. Not at that time; no, sir.

Mr. McLENDON. When did you become a stockholder?

Mr. ARMSTRONG. Sometime in the first 2 months I was in California, and at that time it had not been established that I was going to stay in California because I didn't know if I would like it. My family was not there. Mr. Hancock told me he had 12 percent of this company, and that if I would stay and would be general manager, he would work something out with me and give me some of his stock.

Mr. McLENDON. Did he do that?

Mr. ARMSTRONG. At a later date we sat down and we agreed that he would give me 4 percent of his stock. Yes, sir; we agreed at that time.

Mr. McLENDON. And you received 400 shares from him?

Mr. ARMSTRONG. Not from him; no, sir.

Mr. McLENDON. Who did you receive it from?

Mr. ARMSTRONG. I received my 400 shares from Mr. Ernest Tucker at a board of directors meeting called, and I don't recall exactly the date—it was in October 1963. I think it was—I don't remember which week in October.

Mr. McLENDON. Why do you say you received it from Ernest Tucker?

Mr. ARMSTRONG. He handed it to me.

Mr. McLENDON. Do you know where it came from, who it had been bought from?

Mr. ARMSTRONG. Who had it been bought from?

Mr. McLENDON. How did Tucker get it? Did he own it?

Mr. ARMSTRONG. No.

Mr. McLENDON. Was it stock that the company had acquired?

Mr. ARMSTRONG. I understood that it was there; it had been issued in my name, but it had never been given to me.

Mr. McLendon. Mr. Hancock has testified, Mr. Armstrong, that he owned 12 percent of the stock, which would be 1,200 shares. He transferred 400 of his shares to you. Are you informed about that?

Mr. Armstrong. No, sir. He gave me 1,200 shares, but as far as I know—I am sorry, he gave me 400 shares, but that was just an agreement. I did not receive mine until I came to Washington.

Mr. McLendon. The 400 shares you got came from the stock originally purchased by Hancock?

Mr. Armstrong. Oh, yes; I am sorry.

Mr. McLendon. After you became a stockholder, did you attend any of the meetings of the corporation?

Mr. Armstrong. I did not become a stockholder until I became president of the corporation, which was in August of 1963.

Mr. McLendon. Were you responsible for handling the books of accounts, the bank deposits and the transaction of business of that kind?

Mr. Armstrong. Yes, sir; after—I did not establish the original bank accounts, but after I went to California and took over, I was responsible from there on.

Mr. McLendon. About what date was it that you became responsible for the finances?

Mr. Armstrong. I don't recall just exactly what date I got the checkbooks, but it was sometime in February.

Mr. McLendon. February 1962?

Mr. Armstrong. Yes, sir; that is correct.

Mr. McLendon. At that time had the company purchased any vending machines?

Mr. Armstrong. At that time had we purchased any vending machines?

Mr. McLendon. Yes.

Mr. Armstrong. As I recall we had not purchased them as yet. We were working—we were in negotiations with Automatic Canteen to buy the machines.

Mr. McLendon. And do you remember the date of the first contract you signed with North American?

Mr. Armstrong. I never signed the first contract, sir.

Mr. McLendon. Mr. Hancock signed it or somebody signed it for Serv-U.

Mr. Armstrong. I don't remember the exact date. I know that he received it in Florida before I went back to California.

Mr. McLendon. Received the contract in Florida?

Mr. Armstrong. As I recall, yes.

Mr. McLendon. When did the first machinery, machines of Serv-U—when did the first batch of them arrive; do you know?

Mr. Armstrong. The first batch of machines—we did not buy all of the machines from Automatic Canteen—the first batch of machines, they arrived in February, sir. I don't know the exact date. It was sometime in February. I rented an office on February 6. It was sometime—6th or 7th I rented the office. It was sometime after that date.

Mr. McLendon. How was the purchase financed?

Mr. Armstrong. The equipment, the new equipment we bought?

Mr. McLendon. Yes.

Mr. ARMSTRONG. As I recall, it was not financed at that time. Mr. Hancock was handling that, and I don't know about that financing, sir.

Mr. McLENDON. How was it finally financed after you took charge?

Mr. ARMSTRONG. After I took charge? Well, we finally paid for some of the machines out of the original moneys that was put into the company and for loans. Then the first thing I knew about any actual financing was through the bank in Oklahoma, the Fidelity—

Mr. McLENDON. Fidelity National Bank?

Mr. ARMSTRONG. Yes, sir; that is correct.

Mr. McLENDON. Who arranged the loan?

Mr. ARMSTRONG. As far as I know, Ernest Tucker did.

Mr. McLENDON. And what was the amount of it?

Mr. ARMSTRONG. I beg your pardon?

Mr. McLENDON. What was the amount of it?

Mr. ARMSTRONG. As I recall there were a couple, but as I recall the first one I believe was \$275,000.

Mr. McLENDON. Was that amount later increased?

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. How much?

Mr. ARMSTRONG. I don't remember the exact amount, because—I am sorry I don't have my books with me here—but as I recall the note at one time was increased up to \$325,000. Of course we had paid, I think, some on the note at that time.

Mr. McLENDON. You do know it finally reached as much as \$325,000?

Mr. ARMSTRONG. Yes, sir; as I recall that is the largest amount that we owed the bank; yes, sir.

Mr. McLENDON. Did Mr. Black arrange that loan or those loans?

Mr. ARMSTRONG. At that time I did not know he had; no, sir.

Mr. McLENDON. Did you go down to Oklahoma City in connection with the loans?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. Did you handle it?

Mr. ARMSTRONG. Did I handle it?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. The only thing that Mr. Tucker advised me that this would be handled there. I received finally a note from Mr.—

Mr. McLENDON. Harris?

Mr. ARMSTRONG. Harris; yes, and his lawyers came over and drew up a chattel and I signed the note, signed the chattel as I recall.

Mr. McLENDON. And you don't know what person, what individual actually handled the first arrangements, the first negotiations for the loan?

Mr. ARMSTRONG. Not to my knowledge; no, sir.

Mr. McLENDON. Did you come to borrow any money from any other banks?

Mr. ARMSTRONG. Not from any other banks; no, sir.

Mr. McLENDON. Did you borrow money from the stockholders?

Mr. ARMSTRONG. Well, at the original incorporation, sir, there was \$150,000 put in as loans, and there was \$100,000 put in as capitalization.

Mr. McLENDON. Do you have those amounts so you can advise the committee how much each stockholder put in stock and how much he put in loans?

Mr. ARMSTRONG. Yes; I have this now; yes, sir.

Mr. McLENDON. Will you read it, please?

Mr. ARMSTRONG. Yes. Your investigator came to my office; I called my accountant and—and this is what he gave me over the phone, which I am sure is correct. Mr. George Simon's loan, \$47,285.30; stock, \$44,604.

Mr. McLENDON. Let me interrupt at that point.

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. Do you know how much stock Simon had?

Mr. ARMSTRONG. No, sir; I do not.

Mr. McLENDON. You don't remember that. All right; go ahead, sir.

Mr. ARMSTRONG. Mr. Tucker, stock, \$3,000; Mr. Hancock, stock, \$1,200; Mr. Levinson, loan, \$41,806.60, stock, \$22,302, total, \$64,108.60. Mr. Siegelbaum, loan, \$41,806.60, stock, \$22,302, total, \$64,108.60. Mr. Torres, \$19,035.50, that was loan, stock, \$6,608, total, \$25,643.50. Total capital, \$100,000, total loan, \$150,000.

Mr. McLENDON. That means that the stockholders paid in a total of \$100,000 for stock, does it not?

Mr. ARMSTRONG. That is correct.

Mr. McLENDON. And the total loans by stockholders to the company was \$150,000?

Mr. ARMSTRONG. That is correct.

Mr. McLENDON. And that is the total capital the company ever had paid in?

Mr. ARMSTRONG. That is correct.

Mr. McLENDON. All the rest of the financing was done by borrowed money?

Mr. ARMSTRONG. Yes; that is correct.

Mr. McLENDON. What I am getting at is there was no further contribution in money made by any stockholder?

Mr. ARMSTRONG. No, sir; not to my knowledge.

Mr. McLENDON. Simon, according to the evidence before the committee, never had his stock issued to him, but he sold it to Black and Baker. Do you know about that?

Mr. ARMSTRONG. Well, I know about it now; yes, but I would like to say this. Mr. Black called me over to North American Aviation one day and gave me a \$100,000 personal check.

Mr. McLENDON. Do you remember what bank it was drawn on?

Mr. ARMSTRONG. As I recall, sir, it was on the same bank in Oklahoma.

Mr. McLENDON. Would you recognize a copy of the check if we show it to you?

Mr. ARMSTRONG. I am sure I would.

Mr. McLENDON. Give him a whole set. Will you look at the second document in this folder of our documents and see if you can identify that check drawn on the Fidelity National Bank & Trust Co. signed by Fred D. Black, Jr., payable to the Serv-U Corp. in the amount of \$100,000.

Mr. ARMSTRONG. I would think that was a correct check; yes, sir.

Mr. McLENDON. Give that to the reporter. Give the reporter a set.

The REPORTER. Thank you.

(The documents referred to are as follows:)

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1221

ARMSTRONG EXHIBIT 1

SERV-U-CORPORATION
MANAGERS ACCOUNT

XXXX

DAY TO THE ORDER OF George M. Simco MAY 3 '62 April 27, 1962 XXXX
Forty Thousand and no/100 PAID 100.00 DOLLARS

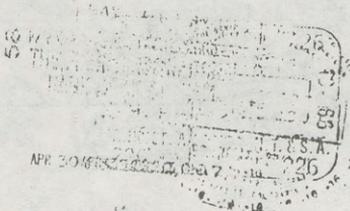
CITY National BANK
BEVERLY HILLS, CALIFORNIA

SERV-U-CORPORATION
MANAGERS ACCOUNT

Partial Payment for
21 1/2 of Stock of
Serv-U-Corporation

XXXX

W.P. Belmont



*George M. Simco
for deposit acct.*

SERV-U-CORPORATION
MANAGERS ACCOUNT

XXXX

DAY TO THE ORDER OF George M. Simco MAY 7 '62 May 8, 1962 XXXX
Sixty Thousand and no/100 PAID 60.00 DOLLARS

CITY National BANK
BEVERLY HILLS, CALIFORNIA

SERV-U-CORPORATION
MANAGERS ACCOUNT

Final and
Full Payment for all
Stock and other interests
in Serv-U-Corporation.

⑆ 1232 ⑆ 606⑆ 001 ⑆ 109 304 ⑆

W.P. Belmont



XXXX

*George M. Simco
for deposit acct.
John B. [unclear]
James M. [unclear]*

COLLECTION DEPARTMENT
CITY National BANK
OF BEVERLY HILLS

OFFICE
CALIFORNIA

DATE SENT	ITEM DATE	DATE	DEPOSITOR	AMT.	INT.	EXCH.	TOTAL
5-8-62	5-8-62	1962	XXXX	100.00			100.00
SPECIAL INSTRUCTIONS AND/OR DOCUMENTS ATTACHED No instructions							

ARMSTRONG EXHIBIT 1—Continued

②

THE FIDELITY #1049 XXXX
 NATIONAL BANK AND TRUST COMPANY

CITY, OKLA. MAY 8 1962 No. _____

PAID

ORDER * SERV J-C CORPORATION ***** \$100,000.00

One Hundred Thousand and 00/100 - DOLLARS

FRED D. BLACK JR.

CITY NATIONAL BANK
 OKLAHOMA CITY
 OKLAHOMA 73104 XXXX

PAY TO THE ORDER OF

CITY National BANK

of Beverly Hills
 FOR DEPOSIT ONLY
 SERV J-C CORPORATION
 MANAGER'S ACCOUNT
 309-304

Any Bank

CITY NATIONAL BANK

HILLSIDE HILLS

FOR DEPOSIT ONLY

ARMSTRONG EXHIBIT 1—Continued

June 1, 1962

Fidelity National Bank & Trust Company
Park Avenue & Harvey
Oklahoma City, Oklahoma

Attention: Mr. Grady Harris
President

Dear Mr. Harris:

Mr. Fred Black was in my office today and requested that I send to you the following information in order that Serv-U-Corporation's account with the Fidelity National Bank & Trust Company can be opened as quickly as possible as well as the preparation of the papers necessary for the loan which you and Mr. Black discussed.

I have forwarded to Mr. Ernest Tucker the resolution cards given to me by Mr. Black so that he can sign them as secretary and return them to you immediately.

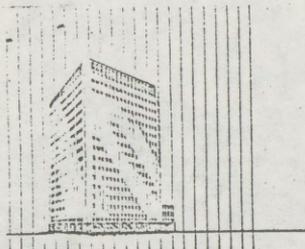
As soon as all the papers and resolutions are properly drawn and you are ready to open the account, please notify me and I will then forward to you a check for the initial deposit.

The actual loan amount will be \$96,848.60. After this loan has been set up and deposited, the proceeds will be used to pay the following bills:

\$82,040.00 - A C Automatic Services, Inc. -
covering

- 1 Stoner 160 Candy
- 28 Rows 8-column Candy
- 113 Rows 11-column Candy
- 10 Rows 106 Gum
- 4 National 7-column-Cigarette
- 3 National 9-column Cigarette .
- 5 C-520 Cigarette
- 2 Ambassador 11-column Cigarette
- 52 Ambassador 14-column Cigarette

ARMSTRONG EXHIBIT 1—Continued



THE
FIDELITY
NATIONAL BANK AND TRUST COMPANY
OKLAHOMA CITY, OKLAHOMA • TELEPHONE CENTRAL 2-681

GRADY D. HARRIS, JR.
PRESIDENT

June 18, 1962

Mr. Fred B. Black, Jr.,
4054 - 52nd Terrace, N. W.,
Washington, D. C.

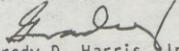
Dear Fred:

Again, I wish to apologize for some of the delay in getting things set up for Serv-U-Corporation as a result of my absences from Oklahoma City recently.

I have forwarded a note to California to be executed, and as soon as this is signed and returned, we will advance the \$96,848.60 on your Guaranty, because there has been a sufficient delay without prolonging this.

However, I will need to draw up other instruments, and I have written to Mr. Tucker to furnish some additional information to me so that everything will be in order.

Sincerely yours,


Grady D. Harris, Jr.

— GDHJr:hp

Air Mail

ARMSTRONG EXHIBIT 1—Continued

August 23, 1962

Fidelity National Bank & Trust Company
Park Avenue & Harvey
Oklahoma City, Oklahoma

Attention: Mr. Grady Harris
President

Dear Mr. Harris:

I just completed a meeting with Mr. Fred Black and he requested that I forward to you the following information so that the proper notes can be drawn for the loan of additional monies to take over equipment for the vending operation at the Downey Division of North American Aviation.

To expedite matters, we are listing the number of machines as well as the location and serial numbers. We would like to break this down in two separate amounts as we are taking over the first division of this operation on the 25th of August and the second division on the 28th of September.

It would be appreciated if you would forward to me for the proper signature a note for the first division for \$180,413.87 so that this money would be available in our account by September 15th at which time it would be disbursed to Automatic Canteen. We would then like to have a second note prepared for \$76,453.02 to be executed and to have the money in our account so that it could be disbursed to Automatic Canteen by the 15th of October.

I am sure you have noticed from our financial statements at the end of our 4-week periods that both our profit and loss figures are improving as well as having a substantial cash flow.

We have had on our payroll for the past month sufficient people in training to take over the Downey Division of North American Aviation which has kept us from showing a profit up to this time; however, I am certain that with the estimated million-and-a-half dollars increased business at this new division of North American with no additional cost, other than our product and commission, that by the end of September, we will be showing a substantial profit for each period.

ARMSTRONG EXHIBIT 1—Continued

- Page 2 -

To: Fidelity National Bank & Trust Company

August 23, 1962

I am sure you can understand that in taking over a division of this size that we are going to be extremely busy for the next 30 to 40 days; therefore, if it is agreeable with you, I would like to come to Oklahoma City after this period of time and discuss with you the interest rate, monthly payments, and period of time that this loan will be in effect.

In the meantime, if there is any further information required in regard to this loan or our accounting procedure here in this office, please do not hesitate to contact me.

Very truly yours,

SERV-U-CORPORATION

W. R. Armstrong, Jr.
Vice President
General Manager

WRA:efp

cc: F. B. Black
E. C. Tucker
E. A. Hancock
E. Levinson

1228 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

ARMSTRONG EXHIBIT 1—Continued

RESUME

NORTH AMERICAN AVIATION - SPACE DIVISION

<u>QUANTITY</u>	<u>DESCRIPTION</u>	<u>UNIT PRICE</u>	<u>TOTAL</u>
42	Cold Drink 101CA	\$1,475.00	\$61,950.00
41	Coffee AK 7	1,125.00	46,125.00
9	Coffee AK 7	1,169.10	10,521.90
20	Candy Roll	220.00	4,400.00
60	Candy R-12	290.00	17,400.00
8	Cigarette C-520	75.00	600.00
28	Cigarette R-14	175.00	4,900.00
2	Cigarette 11-colum	100.00	200.00
11	Cigarette 20-700	210.00	2,310.00
1	Pastry	250.00	250.00
19	Gum	35.00	665.00
12	Cigar	175.00	2,100.00
			<hr/>
			\$151,421.90
	Sales Tax		6,056.88
			<hr/>
			\$157,478.78
			<hr/>
	Machine Inventory		10,000.00
	3 Trucks		6,935.09
	10 carts		6,000.00
			<hr/>
	TOTAL		\$180,413.87

NORTH AMERICAN AVIATION - AUTOMETRICS DIVISION

19	Cold Drink 101CA	\$1,475.00	\$28,025.00
8	Coffee AK 7	1,125.00	9,000.00
16	Coffee AK 7	1,169.10	18,705.60
22	Candy Roll	220.00	4,840.00
11	Candy R-12	290.00	3,190.00
8	Cigarette 20-700	210.00	1,680.00
14	Cigarette R-14	175.00	2,450.00
7	Gum	35.00	245.00
6	Cigar	175.00	1,050.00
			<hr/>
			\$59,185.60
	Sales Tax		2,767.42
			<hr/>
			\$71,953.02
			<hr/>
	Machine Inventory		4,500.00
			<hr/>
	TOTAL		\$76,453.02

ARMSTRONG EXHIBIT 1—Continued

Copy for
Mr. Fred B. Black, Jr.,
Suite 304,
1730 K Street, N. W.,
Washington, D. C.

THE
FIDELITY NATIONAL BANK
AND
TRUST COMPANY
OKLAHOMA CITY
OKLAHOMA
COPY

September 21, 1962

Mr. W. R. Armstrong, Jr.,
Vice President & General Manager,
Serv-U-Corporation,
717 South Hindry Avenue,
Inglewood, California.

Dear Mr. Armstrong:

You will recall the schedule that you outlined to me during August was that you would need an advance of \$180,413.87 on September 15th.

As per the duplicate deposit slip enclosed, this amount has been advanced and placed on deposit for your company.

Sincerely yours,

Grady D. Harris, Jr.

@DHJr:hp

enclosure

ARMSTRONG EXHIBIT 1—Continued

TELEPHONE
CITY OF WASHINGTON
FREDERICK TUCKER
ERNEST C. TUCKER

TUCKER AND BAEFF
WASHINGTON, D. C.

WASHINGTON, D. C.

November 30, 1962

Mr. William R. Armstrong
Serv-U-Corporation
17 South Hindry Avenue
Inglewood, California

Dear Bill:

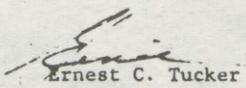
I have sent Grady Harris a corporate resolution whereby you will be authorized to sign such things as the chattle mortgage, which will be forwarded to you shortly by the bank.

We are also appointing Charlie an Assistant Secretary inasmuch as it is usually needed on such things as the chattle mortgage.

Anything which you or Charlie sign in this connection, don't forget to send a copy to me.

With kind personal regards, I am

Sincerely,


Ernest C. Tucker

ECT:jer

ARMSTRONG EXHIBIT 1—Continued

M I N U T E S

O F

SPECIAL MEETING OF THE BOARD OF DIRECTORS

O F

SEIRV-U-CORPORATION

A special meeting of the Board of Directors was held at No. 2000 F Street, N. W., Washington, D. C., on the 30th day of November, 1962, at 2:00 P. M., in the afternoon.

A majority of the Board of Directors having been present, the Secretary presented a Waiver of Notice signed by all directors, which was ordered filed with the minutes of the meeting.

The presiding officer stated that the meeting was called for the purpose of considering the nomination of a new Assistant Secretary, for the purpose of authorizing corporate officers to pledge the credit or sign other papers for the corporation, and such other business as may be presented at the meeting.

Upon motion, duly made, seconded and carried, it was

RESOLVED, that Ernest C. Tucker, Chairman of the Board of Directors and Secretary of the Corporation; and William R. Armstrong, Vice President, be authorized to pledge the credit of this corporation, to sign or endorse all notes, mortgages, contracts or any other papers concerning the business of the Corporation.

ARMSTRONG EXHIBIT 1—Continued

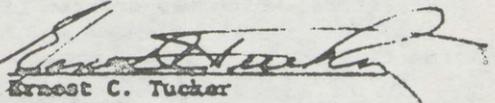
-2-

The following person was nominated as an Assistant Secretary of the Corporation to serve until his successor is chosen and duly qualified:

Assistant Secretary: Charles E. Baker

All directors present having voted, the presiding officer announced that Mr. Baker had been elected as an Assistant Secretary of the Corporation.

There being no further business to come before the meeting, the meeting was adjourned.


Ernest C. Tucker
Secretary

1234 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

ARMSTRONG EXHIBIT 1—Continued

When Recorded, Please Mail to

John Caldwell, above address

MORTGAGE OF CHATTELS

This Chattel Mortgage made this _____ day of _____, 1962, by SERV-U-CORPORATION, a Delaware corporation, with principal offices in Inglewood, Los Angeles County, State of California, hereinafter called Mortgagor, to THE FIDELITY NATIONAL BANK AND TRUST COMPANY OF OKLAHOMA CITY, of Oklahoma County, Oklahoma, hereinafter called Mortgagee.

WITNESSETH, that for good and valuable consideration, the undersigned Mortgagor hereby mortgages to Mortgagee the personal property which is more fully described below, as security for the payment by Mortgagor to Mortgagee of (1) amounts due under the terms of a promissory note signed by the Mortgagor, payable to the Mortgagee, in the principal amount of Two Hundred Seventy Five Thousand Dollars (\$275,000.00), interest and collection costs thereunder and renewals or extensions thereof; (2) all amounts advanced or expended by the Mortgagor under the terms hereof; (3) any and all obligations of Mortgagor to Mortgagee, whether direct, indirect or contingent, joint or several, whether or not otherwise secured and whether now existing or hereafter incurred; and as security for the payment to Mortgagee of any and all amounts advanced or expended by Mortgagee for the maintenance or preservation of the property affected hereby.

The note which this Chattel Mortgage secures is dated December 1, 1962, in the principal amount of Two Hundred Seventy Five Thousand Dollars (\$275,000.00), with interest at the rate of six per cent (6%) per annum, payable in equal monthly installments of Fifteen Thousand Dollars (\$15,000.00), on the 15th day of each and every calendar month, commencing December 15, 1962, until the entire indebtedness secured hereby shall be repaid. Each such installment payment shall be applied by the Mortgagee, first to accrued interest to the date of payment, and second to principal.

The property which is mortgaged under the terms of this Chattel Mortgage is all the vending machines and equipment owned by Serv-U-Corporation that are located in the plant facilities of North American Aviation as more particularly described in the schedules attached hereto, consisting of 24 typewritten pages.

It is the further intention of the Mortgagor that a portion of the proceeds of the loan secured by this Chattel Mortgage have been, or will be, used to purchase additional vending machines to be placed in facilities of North American Aviation and any such additional after acquired vending machines shall also be covered by this Chattel Mortgage and the Mortgagor agrees upon demand to promptly give such additional supplemental Chattel Mortgage on said new machines as Mortgagee may require.

The chattels which are mortgaged by the terms hereof are now and shall hereafter be regularly and permanently kept at the locations in Los Angeles County which are indicated in the 24-page schedule attached hereto.

ARMSTRONG EXHIBIT 1—Continued

~~the mortgaged property shall include any and all accessories~~
 equipment, parts, appliances and appurtenances now or hereafter a part thereof, substitutions therefor, additions and repair thereto and the increase and increment thereof. Additionally, Mortgagor mortgages to Mortgagee all of the equipment, appliances, vending machines and personal property of every kind and nature not specifically described herein but now or hereafter owned by Mortgagor, (or in which Mortgagor may have or hereafter acquire any interest) now or hereafter located at, upon, or about or located in, or attached to, the buildings on the premises at the addresses above set forth, where the property is to be kept.

For Good and Valuable Consideration, the following additional provisions and terms are made a part of this Mortgage and Agreement:

1. Mortgagor hereby warrants that it is the sole owner and in possession of all of said mortgaged property, and that said property is free and clear of all liens, encumbrances and adverse claims, with the exception of the lien of this mortgage. Mortgagor agrees, at his own expense, to appear in and defend any and all actions and proceedings affecting title to said mortgaged property or any part thereof, or affecting the security interest of Mortgagee therein.
2. Mortgagor hereby agrees: To do all acts which may be necessary to maintain, preserve and protect said mortgaged property and to keep said property in good condition and repair; not to cause or permit any waste or unusual or unreasonable depreciation thereof or any act for which said property might be confiscated; to pay before delinquency all taxes, assessments and liens now or hereafter imposed upon said property; not to sell, lease, encumber or dispose of all or any part of said property; at any time upon demand of Mortgagee, to exhibit to and allow inspection by Mortgagee of said property; not to remove or permit the removal of said property, other than motor vehicles, from the premises where it is now located, nor of any motor vehicle from the State of California, nor to change the address where any motor vehicle is regularly garaged, without the prior written consent of Mortgagee; to provide, maintain and deliver to Mortgagee policies insuring said property against loss or damage by such risks and in such amounts, forms and companies as Mortgagee requires and with loss payable solely to Mortgagee. If Mortgagee takes possession of said property, the insurance policy or policies and any unearned or returned premium thereon shall at the option of Mortgagee become the sole property of Mortgagee, upon Mortgagee crediting the amount of any unearned premium upon the obligations secured hereby, such policies being hereby pledged and assigned to Mortgagee.
3. If Mortgagor fails to make any payment or do any act as herein required, then Mortgagee, but without obligation so to do, and without notice to or demand upon Mortgagor, may make such payments and do such acts as Mortgagee may deem necessary to protect its security interest in said property, Mortgagee being hereby authorized (without limiting the general nature of the authority herein conferred) to take possession of said property, to pay, purchase, correct, and compromise any encumbrance, charge or lien which in the judgment of Mortgagee appears to be prior or superior to the lien of this mortgage, and in exercising any such powers and authority to pay necessary expenses, employ counsel and pay reasonable fees therefor. Mortgagor hereby agrees to repay immediately, and without demand, all sums so expended by Mortgagee, with interest from date of expenditure at the rate of eight per cent (8%) per annum.

ARMSTRONG EXHIBIT 1—Continued

4. Any officer of Mortgagee is hereby irrevocably appointed the attorney in fact of Mortgagor, with full power of substitution, to sign any certificate of ownership registration card, application therefor, affidavits or documents necessary to transfer title to any of said property, to receive and receipt for all licenses, registration cards and certificates of ownership and to do all acts necessary or incident to the powers granted to Mortgagee in this mortgage, as fully as Mortgagor might.

5. It is specifically understood and agreed by each and every person who is a Mortgagor hereunder or Guarantor hereof that Mortgagee may from time to time and without notice release or otherwise deal with any person now or hereafter liable for the payment or performance of any obligation hereunder or secured hereby, and renew, extend or alter the time or terms of payment of any such obligation, and release, surrender, or substitute any property or other security for any such obligation, or accept any type of further security therefor, without in any way affecting the obligation hereunder of any Mortgagor or Guarantor; and consent is hereby given to delay or indulgence in enforcing payment or performance of any such obligation, and diligence, presentment, protest and demand and notice of every kind, as well as the right to require Mortgagee to proceed against any person liable for the payment of any such obligation or to foreclose upon, sell, or otherwise realize upon or collect or apply any other property, real or personal, securing any such obligation, as a condition or prior to proceeding hereunder, are hereby waived.

6. Should: (1) default be made in the payment of any obligation, or breach be made of any warranty, statement, promise, term or condition, contained herein or secured hereby; (2) Any statement or representation made for the purpose of obtaining credit hereunder prove false; or (3) Mortgagee deem the security hereunder inadequate or unsafe or in danger of misuse; then in any such event, Mortgagee may, at its option and without demand first made and without notice to Mortgagor (if given, notice by ordinary mail to Mortgagor's address shown in this mortgage being sufficient), do any one or more of the following: (a) Declare all sums secured hereby immediately due and payable; (b) Immediately take possession of said mortgaged property wherever it may be found, using all necessary force so to do, and Mortgagor waives all claims for damages due to or arising from or connected with any such taking; (c) Proceed in the foreclosure of this mortgage and sale of said property in any manner permitted by law, or provided for herein; (d) Sell said property at public or private sale, with or without having said property at the place of sale, and upon terms and in such manner as Mortgagee may determine, and Mortgagee may purchase same at any such sale. Prior to any such sale, Mortgagee may, at its option, cause any of such mortgaged property to be repaired or reconditioned in such manner and to such extent as to Mortgagee may seem advisable, and any sums expended therefor by Mortgagee shall be repaid by Mortgagor and secured hereby. Mortgagee shall have the right to enforce one or more remedies hereunder successively or concurrently, and any such action shall not estop or prevent Mortgagee from pursuing any further remedy which he may have hereunder or by law. The proceeds of any such sale shall be applied by Mortgagee, first to the costs of such sale, including reasonable attorney's fees, and second to all amounts secured hereby, any remainder being then paid over to Mortgagor. If a sufficient sum is not realized from any such sale to pay all obligations secured by this mortgage, Mortgagor hereby promises and agrees to pay Mortgagee any deficiency.

7. The right to plead the statute of limitations as a defense to any

ARMSTRONG EXHIBIT 1—Continued

EUGENE A. HANCOCK
President

TELEPHONE
ORchard 1-8436
ORegon 8-7269

SERV - U - CORPORATION
717 SOUTH HINDRY AVENUE
INGLEWOOD, CALIFORNIA

6 June 1963

Mr. Fred Black
Suite 304
1730 D St., N.W.
Washington D.C.

Dear Fred:

Attached is a letter that you and I discussed to Grady Harris in Oklahoma. This should cover everything that we presently owe to Rowe. In addition to this in the next thirty to sixty days it is possible that we will have to buy another twenty to twenty-five thousand dollars worth of equipment for the Anaheim plant and eventually as they eliminate the snack bars and put in the cafeteria it will take an additional twenty thousand dollars worth of equipment, however I would not be concerned about this at the present time as we will make arrangements with Rowe, as we did before, where it would not have to be paid for until ninety days after it's received and perhaps by that time we might be able to pay for it out of our own funds. I am sure you realize that we have been paying over eight thousand dollars a month to the motel and a little over three thousand dollars a month to Rowe to pay off the nineteen thousand dollars worth of equipment they had failed to bill us for. Fortunately we have now paid as of June the first the last payment to Rowe and I have one five thousand dollar payment to the motel which will be paid by the tenth of June and this will be discontinued for the rest of the summer.

So chances are with this eleven thousand dollar increase in our cash flow we might be able to pay for this equipment here, however if we cannot do it as I stated above we would still have ninety days after it was delivered. to negotiate with Mr. Harris.

Best Personal Regards,

Bill

W. R. Armstrong
Vice President

FULL LINE VENDING • 24 HOUR SERVICE

ARMSTRONG EXHIBIT 1—Continued

Dear Fred:

Attached is a copy of the paper I received
from Mr. Torres

Hancock 6

July 4, 1963

Serv - U - Corporation
717 South Hindry Avenue
Inglewood, California

Attention: Mr. Armstrong

Gentlemen:

In consideration of the sum of Seventy-Five Thousand Dollars (\$75,000.00) to be paid on or before July 1, 1963, the undersigned, EDWARD TORRES, does hereby agree to sell, assign and transfer to you all of his interest in SERV-U-CORPORATION, including but not limited to the following:

1. All shares of stock of Serv-U-Corporation owned directly or indirectly;
2. All interest in earned surplus, paid-in surplus or treasury shares;
3. All rights of the undersigned in that certain loan evidenced by a promissory note executed by Hancock;
4. All interest of the undersigned in loans, contributions or notes made to Serv-U-Corporation.

In consideration of said sum of \$75,000.00, in addition to the sale and transfer of the above shares and evidences of indebtedness, the undersigned also agrees to execute such other and further instruments of title as will be necessary to carry into effect the terms and conditions of this transfer.

Edward Torres
Edward Torres

Mr. McLENDON. Now, will you finish your statement about this particular transaction?

Mr. ARMSTRONG. Mr. Black asked me to put this check in Serv-U Corp.'s account in the City National Bank of Beverly Hills, which I did. He asked me to return to Mr. Simon his money.

Mr. McLENDON. You repaid to Mr. Simon the amount of his loan of \$47,000 plus, and the rest of the \$100,000 was to pay for his stock. Would that be correct?

Mr. ARMSTRONG. I would assume so; yes.

Mr. McLENDON. Now, do you know how much stock he had?

Mr. ARMSTRONG. I knew from this, from this list, sir. I did not know at that time. The actual number of shares of stock?

Mr. McLENDON. Yes; 2,700, wasn't it?

Mr. ARMSTRONG. I think that is correct. I am not positive, but I think that is correct.

Mr. McLENDON. Who became the owners of that stock?

Mr. ARMSTRONG. I did not know at that time. I understand now that Mr. Black and Mr. Baker did.

Mr. McLENDON. In whose name was it issued?

Mr. ARMSTRONG. In whose name was it?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. Mr. Tucker's, so far as I know. I don't recall.

Mr. McLENDON. That is the way it is recorded on the books of the company, is it not?

Mr. ARMSTRONG. Yes; that is correct.

Mr. McLENDON. This \$100,000 paid for that stock by Black then transferred the stock to Tucker for Black and Baker as you understand now from the records?

Mr. ARMSTRONG. I understand; yes, I understand it now; yes, sir.

Mr. McLENDON. And then Black and Baker became lenders to the corporation of the same amount of money that Simon had previously loaned; namely, \$47,000.

Mr. ARMSTRONG. This would be true to my knowledge now. At that time I didn't know it. Yes, sir; that is correct.

Mr. McLENDON. Mr. Armstrong, when you became associated with Serv-U, did you know Mr. Edward Levinson?

Mr. ARMSTRONG. When I became—when I first went to California?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. No, sir; I did not.

Mr. McLENDON. You got acquainted with him after you went to California?

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. You read to the committee the amount of money he loaned to the corporation, and the amount of money he paid in for capital stock, making a total of \$64,108.60. Is that the status of his account now?

Mr. ARMSTRONG. As far as my knowledge, yes, sir; that is correct.

Mr. McLENDON. Has he been paying any interest on that loan?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. The money of that loan?

Mr. ARMSTRONG. No, sir.

Mr. McLendon. And he still owns the same amount of stock?

Mr. Armstrong. As far as I know, yes, sir.

Mr. McLendon. How much time did Mr. Levinson give to the management of the company?

Mr. Armstrong. Mr. Levinson give to the management of the company?

Mr. McLendon. Yes.

Mr. Armstrong. Mr. Levinson used to call to say hello. He would stop by the office a couple of times, but as far as time with the corporation, I don't know of any time he spent with the management.

Mr. McLendon. He visited your office frequently; didn't he?

Mr. Armstrong. I think he had been in my office probably about three times, two or three times, maybe four. I don't know exactly how many times.

Mr. McLendon. Do you know whether he visited any of the offices of North American?

Mr. Armstrong. He was there as I recall the first day that Mr. Hancock and I went to Mr. Taylor's office. That is the only time I know he was there.

Mr. McLendon. Did he participate in the conversation about the possibility of getting a contract with North American?

Mr. Armstrong. No, sir; he did not at that time.

Mr. McLendon. Did he come back later on another occasion?

Mr. Armstrong. Did he come back later to where?

Mr. McLendon. Come back to California on another occasion?

Mr. Armstrong. He has been to California several times.

Mr. McLendon. I mean to your office.

Mr. Armstrong. Oh, yes.

Mr. McLendon. Has he assisted you in getting contracts with other companies?

Mr. Armstrong. Mr. Levinson?

Mr. McLendon. Yes.

Mr. Armstrong. No, sir; not that I recall.

Mr. McLendon. Did he ever participate in any conversations between you and the representatives of other companies?

Mr. Armstrong. No, sir; not that I recall.

Mr. McLendon. Did you personally negotiate the contract with Northrop Aviation Co.?

Mr. Armstrong. I prepared the bid.

Mr. McLendon. Who arranged for you to meet the officers of Northrop Co.?

Mr. Armstrong. Quite frankly, Mr. McLendon, I don't honestly recall who first told me to go see somebody at Northrop; actually the person I went to see as I recall was not an officer of the company.

Mr. McLendon. Did Mr. Black have anything to do with it?

Mr. Armstrong. The only thing I recall about Mr. Black and Northrop is that Mr. Black advised me that Mr. Miller was a friend of his, and if I wanted to meet Mr. Miller, he would be glad to get me an introduction to him.

Mr. McLendon. And did he give you an introduction?

Mr. Armstrong. Did he give me one?

Mr. McLendon. Yes.

Mr. ARMSTRONG. No. I called Mr. Miller. This was after we had obtained our first contract with them. I called him up for an appointment to go by and introduce myself, and I met Mr. Miller and talked with him for about 5 minutes.

Mr. McLENDON. After you negotiated the first contract with North American, did Mr. Black assist you in negotiating the second and third contracts with North American?

Mr. ARMSTRONG. No, sir; not to my knowledge. The only thing Mr. Black ever told me was that "your company is doing a good job; if you do a good job, you should be entitled to more business."

Mr. McLENDON. Mr. Black told you that?

Mr. ARMSTRONG. He said that on a couple of occasions; yes:

Mr. McLENDON. In other words, Mr. Black was purporting to speak for North American; was he?

Mr. ARMSTRONG. Oh, no; I wouldn't say that. He was talking about that we had done a good job, and he thought if we continued to do a good job, that we possibly could get some more business—is all he ever told me.

Mr. McLENDON. You are answering the question a little different from what you did the first time. I want to be sure what your answer is. You first said, as I understand you, that Mr. Black said that you are doing a good job, and you will get——

Mr. ARMSTRONG. Oh, no.

Mr. McLENDON. You didn't intend that?

Mr. ARMSTRONG. No, sir. I am very sorry.

Mr. McLENDON. You state it your own way. What did he say, sir?

Mr. ARMSTRONG. I said he advised me that we were doing a good job in his opinion, and that any company that did a good job could certainly get more business.

Mr. McLENDON. And did he tell you that he had spoken to some of the officers of North American and asked them if they would negotiate an additional contract at another one of their plants?

Mr. ARMSTRONG. I don't recall any such conversation.

Mr. McLENDON. You don't recall that?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. And is your answer the same with respect to the third contract that was negotiated with North American?

Mr. ARMSTRONG. I would say so; yes, sir.

Mr. McLENDON. Now, Mr. Armstrong, is it your testimony that Mr. Levinson was sufficiently interested in the industry and management of the company that he made a number of visits to the office of the company in California?

Mr. ARMSTRONG. I am sorry?

Mr. McLENDON. Did you understand that question?

Mr. ARMSTRONG. I am sorry; maybe I didn't.

Mr. McLENDON. Let me repeat it. Is it your testimony that Mr. Edward Levinson was sufficiently interested in the operation of the company to make several trips out there, and visited the office of the company? I am talking about Serv-U now.

Mr. ARMSTRONG. It is my testimony that Mr. Levinson stopped by my office several times. I was never of the opinion he had come there just to see Serv-U; no, sir.

Mr. McLENDON. Did he ask questions about the management; how much money you were making?

Mr. ARMSTRONG. Oh, certainly; he asked questions.

Mr. McLENDON. He was interested then in its successful operation?

Mr. ARMSTRONG. Oh, yes, sir.

Mr. McLENDON. When did you first become acquainted with Mr. Sigelbaum?

Mr. ARMSTRONG. As I recall, to my memory I only met Mr. Sigelbaum one time in my life. That was after I was in California some time, and as I recall quite frankly I should—I just shook hands with the gentleman. I had no conversation with him.

Mr. McLENDON. Did he ever visit the office of the company?

Mr. ARMSTRONG. Not to my knowledge; no, sir.

Mr. McLENDON. Has he participated in the management of it in any way?

Mr. ARMSTRONG. Not to my knowledge; no, sir.

Mr. McLENDON. And he was, I believe, according to the figures you read off—had loaned the company the same amount of money as Mr. Levinson had?

Mr. ARMSTRONG. This is correct.

Mr. McLENDON. \$41,000 each?

Mr. ARMSTRONG. That is correct.

Mr. McLENDON. Is he still a stockholder?

Mr. ARMSTRONG. So far as I know; yes, sir.

Mr. McLENDON. Has his debt been paid?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. Has the interest on it been paid?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. When did you become acquainted with Torres?

Mr. ARMSTRONG. I only met Mr. Torres one time in my life. I happened to be in Las Vegas. I took my wife over there.

I walked into the bar at the Fremont Hotel, and said hello to Mr. Levinson, and Mr. Levinson said, "Bill, this is Mr. Torres." He said, "How do you do?" And we shook hands, and that was the extent of our conversation, as I recall it.

Mr. McLENDON. Did you know he was a stockholder?

Mr. ARMSTRONG. I did not know he was a stockholder. I knew he had invested money.

Mr. McLENDON. Invested what?

Mr. ARMSTRONG. I knew he had invested money. I did not know he was a stockholder.

Mr. McLENDON. You mean you knew he had loaned to the company but you didn't know he was a stockholder?

Mr. ARMSTRONG. I knew he had put one of his checks in the bank, and he had put money there, and at that time I didn't know if it was for stock loans or what it was.

Mr. McLENDON. Are you familiar with the transaction by which Torres' stock was purchased?

Mr. ARMSTRONG. Yes, sir; I am.

Mr. McLENDON. Will you tell the committee about that?

Mr. ARMSTRONG. As I recall, I think if my memory serves me correctly, Mr. Tucker called me and said that Mr. Torres was being bought out. I said, fine at this time, because I was not on the board of di-

rectors; I was just the operating manager there. I asked him what he would like me to do. He said, "You send a \$75,000 check to Mr. Torres," and I did this.

Mr. McLENDON. He directed you to send the \$75,000 check to Torres?

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. And at that time the company owed Torres \$19,000.

Mr. ARMSTRONG. That is correct; yes, sir.

Mr. McLENDON. And he had stock for which he paid \$6,600.

Mr. ARMSTRONG. That is correct. These figures are correct.

Mr. McLENDON. And how many shares of stock did he own?

Mr. ARMSTRONG. I found out later that he had exactly the same number of shares I have, sir; 400.

Mr. McLENDON. 400?

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. And so the company paid him the difference between \$75,000 and \$19,000 for 400 shares of stock?

Mr. ARMSTRONG. That is correct, sir.

Mr. McLENDON. That was the highest price any of it had ever sold for, wasn't it?

Mr. ARMSTRONG. I understand it is now. I didn't know exactly at that time what it was for, but it was quite a bit of money.

Mr. McLENDON. And none of it has been sold since then for any such price?

Mr. ARMSTRONG. Oh, no, sir; not that I know of.

Mr. McLENDON. Do you know why the company paid Torres such a high price for his stock?

Mr. ARMSTRONG. I have no idea; no, sir.

Mr. McLENDON. And he is no longer connected with it?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. I believe you testified that Simon is no longer connected with it?

Mr. ARMSTRONG. That is my understanding; yes, sir.

Mr. McLENDON. Did you know that a man named Cooper was a silent partner with Simon in the ownership of the stock?

Mr. ARMSTRONG. Not at that time; no, sir.

Mr. McLENDON. You learned later that he was?

Mr. ARMSTRONG. Reading the newspaper; yes, sir.

Mr. McLENDON. You didn't know it otherwise?

Mr. ARMSTRONG. Not that I recall; no, sir.

Mr. McLENDON. Did you know Cooper?

Mr. ARMSTRONG. I met Mr. Cooper I think on two occasions. Both times it was socially to say hello, and a very short time, as I recall.

Mr. McLENDON. He lived in Florida, didn't he?

Mr. ARMSTRONG. Yes; he did.

Mr. McLENDON. Wasn't he a personal friend of Hancock?

Mr. ARMSTRONG. If he was, I was not aware of it.

Mr. McLENDON. When did you first learn that Robert G. Baker was a silent partner in the ownership of stock in Serv-U?

Mr. ARMSTRONG. Well, the first time I learned of it was in the newspapers when this lawsuit first came out, from reading the newspaper. As I recall, the first time that I knew for a fact that he was the complete owner was on December 22 of this year, as I recall.

Mr. McLENDON. December 22?

Mr. ARMSTRONG. Of 1963. I am sorry.

Mr. McLENDON. Of 1963?

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. How did you learn that?

Mr. ARMSTRONG. We had a stockholders meeting.

Mr. McLENDON. And was Baker there?

Mr. ARMSTRONG. He was not there when we went into the meeting. He came at the end of the meeting.

Mr. McLENDON. Was Tucker there?

Mr. ARMSTRONG. Yes; he was.

Mr. McLENDON. Who voted Baker's stock?

Mr. ARMSTRONG. Mr. Tucker.

Mr. McLENDON. Who voted Black's stock?

Mr. ARMSTRONG. As I recall, Mr. Tucker voted it. What I received was a stockholder's annual stockholders meeting notation with the owners of the stock on that notation, and it at that time listed Tucker's, Black's and Baker's as well as mine, Hancock's, Mr. Sigelbaum's, Mr. Levinson's. Behind Mr. Baker's name and Mr. Black's name, which I still don't understand, I don't know exactly what the word means, they had the word "equitable."

Mr. McLENDON. Equitable?

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. E-q-u-i-t-a-b-l-e?

Mr. ARMSTRONG. As I remember it; yes, sir.

Mr. McLENDON. You and I may have to learn spelling here. Go ahead.

Mr. ARMSTRONG. I learned it for the first time. So I came to Washington and had a stockholders' meeting, and Mr. Black stated he owned the stock. Mr. Baker stated he owned the stock.

Mr. McLENDON. But it was listed in the name of Ernest Tucker?

Mr. ARMSTRONG. That is correct.

Mr. McLENDON. And opposite the name of Tucker was the word "equitable"?

Mr. ARMSTRONG. No. On the annual stockholders' notice that Tucker sent to me behind Mr. Baker's and Mr. Black's name.

Mr. McLENDON. Oh, behind Black's and Baker's names?

Mr. ARMSTRONG. Yes, sir; that is correct.

Mr. McLENDON. Is that the first time that you learned that Black and Baker were the beneficial owners of that stock?

Mr. ARMSTRONG. To the best of my knowledge, yes, sir. I believe that is correct. As a fact, yes, sir.

Mr. McLENDON. And although you had been managing the company for a good many months, you didn't know that they were stockholders?

Mr. ARMSTRONG. I don't recall that I did; no.

Mr. McLENDON. You say Mr. Baker arrived at this meeting after the meeting had been in process?

Mr. ARMSTRONG. We were almost finished; yes, sir.

Mr. McLENDON. What did he come for?

Mr. ARMSTRONG. What did he come for?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. I would assume as a stockholder.

Mr. McLENDON. Did he ever participate in the proceedings conducted by the stockholders?

Mr. ARMSTRONG. Not as I recall. The only thing I recall Mr. Baker doing while he was there was discussing this motel as to what the plans would be for the future, and so forth.

Mr. McLENDON. I will get to that in a minute. But before you got to the problem of purchasing the motel, the Carousel, what, if anything, did Baker say about his interests in Serv-U, his stock ownership or anything of that kind?

Mr. ARMSTRONG. I honestly don't recall, Mr. McLendon.

Mr. McLENDON. Didn't he demonstrate any interest in the affairs of the company?

Mr. ARMSTRONG. Oh, yes, sir; he was interested, certainly.

Mr. McLENDON. And you knew then that he was the beneficial owner of some stock?

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. What about Black? Was he there?

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. Was your company attorney, Mr. Bunion—is that his name?

Mr. ARMSTRONG. No; Mr. Bryan Burton.

Mr. McLENDON. Burton; I beg your pardon.

Mr. ARMSTRONG. Oh, yes; he was there.

Mr. McLENDON. Was he there?

Mr. ARMSTRONG. Oh, yes.

Mr. McLENDON. And is that the occasion when Black appeared before the stockholders and asked the stockholders to purchase the Carousel property in Maryland?

Mr. ARMSTRONG. Oh, no. This was just in December; this past December.

Mr. McLENDON. This is in December?

Mr. ARMSTRONG. Oh, yes.

Mr. McLENDON. Were you present when Baker went to California to persuade the company to buy the Carousel property?

Mr. ARMSTRONG. No, sir; I knew nothing about the Carousel Motel at that time, at all.

Mr. McLENDON. You learned that they had bought it?

Mr. ARMSTRONG. I learned from Mr. Tucker that it had been bought; yes.

Mr. McLENDON. Did you have anything to do with the management of it after Serv-U Co. acquired it?

Mr. ARMSTRONG. Not until—when you say management, maybe we have a difference of understanding. I will explain it to you, what part I thought I had. I was put on the board of directors in August of 1963. The first official work I ever did as a director was to come to this meeting in October. At this meeting was myself, Mr. Tucker, and Dr. Jim Walsh. We discussed the motel at that time, and in our meeting we decided to close the motel, as I recall, as of November 1, for the rest of the year.

Mr. McLENDON. You had no knowledge then of the motel property at the time Serv-U acquired it?

Mr. ARMSTRONG. No, sir. Correction—you mean did I know the motel was there?

Mr. McLendon. I say you had no knowledge of the motel or its operations?

Mr. Armstrong. Oh, no, sir.

Mr. McLendon. Or its financial affairs?

Mr. Armstrong. No, sir.

Mr. McLendon. Did anyone ever explain to you why Serv-U bought it?

Mr. Armstrong. Not that I recall. I read an article somewhere today or something about it, but I don't recall. No; I don't recall anybody ever explaining to me why they bought it.

Mr. McLendon. Was it operated separately from the vending machine operations of the company?

Mr. Armstrong. Yes, sir.

Mr. McLendon. So you had nothing to do with the financing of the Serv-U of—

Mr. Armstrong. No, sir.

Mr. McLendon. The Carousel?

Mr. Armstrong. No, sir.

Mr. McLendon. What authority did you have, Mr. Armstrong, with respect to employing people by Serv-U?

Mr. Armstrong. To my knowledge, I had employed all of them.

Mr. McLendon. Did you ever get any instructions or advice from Mr. Baker in that connection?

Mr. Armstrong. The only thing I ever heard from Mr. Baker was that he asked me to give his brother a job.

Mr. McLendon. Give his brother a job?

Mr. Armstrong. Yes, sir.

Mr. McLendon. And did you do that?

Mr. Armstrong. Yes, sir; I did.

Mr. McLendon. Is he still working for the company?

Mr. Armstrong. Yes, sir; I am pleased to say that he is.

Mr. McLendon. What is his name?

Mr. Armstrong. Charles N. Baker.

Mr. McLendon. And what is his position?

Mr. Armstrong. He is a vice president and assistant secretary.

Mr. McLendon. Does he work under your direction?

Mr. Armstrong. Yes; he does.

Mr. McLendon. When was he first employed by the company; do you know?

Mr. Armstrong. I believe it was a year ago October; so that would be October 1962, as I recall.

Mr. McLendon. And is it your testimony that you employed him on the request of Robert Baker?

Mr. Armstrong. Yes; that is correct.

Mr. McLendon. Among other people that you employed, did you employ a man named Max Singer?

Mr. Armstrong. Mike Singer?

Mr. McLendon. Yes.

Mr. Armstrong. Yes, sir; I did.

Mr. McLendon. Who is he?

Mr. Armstrong. He is a labor consultant.

Mr. McLendon. What was he employed for?

Mr. ARMSTRONG. To represent Seru-U Corp. in labor negotiations as a consultant.

Mr. McLENDON. Did you know him?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. Who recommended to you that you employ him, sir?

Mr. ARMSTRONG. I was driving down to the bank, as I recall it—it may not be the same day—with Mr. Levinson, to deposit some checks in the bank, and I said to Mr. Levinson, I said: “Mr. Levinson, I have a problem.” He said: “What is your problem?” I said, “I have had many years of business experience, but I have never sat down and negotiated a union contract, and I would prefer not to put myself in a position to sit down and negotiate with experienced union negotiators.” I said: “I might make many, many mistakes. It might cost a lot of money.” He said: “If you are concerned about this, I know a man that you can call and talk to, if you would like, and see what you would like to do.” I said, “Fine.” I said, “What is his name?” He said, “Mike Singer.”

Mr. McLENDON. Did you call him?

Mr. ARMSTRONG. I called Mr. Singer and he said: “Certainly; come down and I will be glad to talk to you.”

Mr. McLENDON. Did you finally employ him?

Mr. ARMSTRONG. Yes, sir; I did.

Mr. McLENDON. Did Baker know that?

Mr. ARMSTRONG. Not to my knowledge at that time.

Mr. McLENDON. Did Black know it?

Mr. ARMSTRONG. No, sir; not to my knowledge at that time.

Mr. McLENDON. Did they learn later that you had employed him?

Mr. ARMSTRONG. Well, I would assume that they did. I am not sure that they did. I don't know when they might have learned it. They certainly must know it now.

Mr. McLENDON. Did you learn that this man Singer had, prior to that time, been an official of the Teamsters Union?

Mr. ARMSTRONG. Did I, at that time, know this?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. When I met Mr. Singer, he introduced himself as a labor consultant and said at one time that he had been with the Teamsters Union.

Mr. McLENDON. Was he a member then at the time you employed him?

Mr. ARMSTRONG. He told me that he was not.

Mr. McLENDON. Did Levinson tell you anything else about Singer?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. And for what period of time did you employ him?

Mr. ARMSTRONG. I signed a 3-year contract with Mr. Singer.

Mr. McLENDON. When do the 3 years expire?

Mr. ARMSTRONG. As I recall, and I got the contract up for the gentleman from your office out there, as I remember it, I believe we signed it in April, as I remember, of 1962; so that would be a little over 1 more year to continue.

Mr. McLENDON. Would you have any objection to telling the committee how much you paid him?

Mr. ARMSTRONG. \$300 a month.

Mr. McLendon. And he is still on the payroll?

Mr. Armstrong. Yes, sir; he has been since then.

Mr. McLendon. The amount of interest, I believe, may not be entirely relevant, but did he have any trouble negotiating the contract with the union?

Mr. Armstrong. Did he have any trouble negotiating the contract with the union?

Mr. McLendon. Yes.

Mr. Armstrong. Actually, I wouldn't say there were any serious problems. We had several meetings and worked the thing out. The employees voted on the contract, and that is as much as I know about it.

Mr. McLendon. He seemed to know his subject all right, did he not?

Mr. Armstrong. About unions?

Mr. McLendon. Yes.

Mr. Armstrong. I expect him to. He told me he was registered with the U.S. Government. In fact, he sent them a letter advising that he represented us.

Mr. McLendon. The same contract is now in effect?

Mr. Armstrong. You mean with the union?

Mr. McLendon. With the union.

Mr. Armstrong. Yes, sir. The first time we signed a 1-year contract, which I think we signed—I don't remember just which date it was, but it was going to be up sometime in the early part of this year. At that time I called Mr. Ronald Hebbert, who had become Mr. Singer's associate, and told him that I would like for us to see if we could negotiate a new contract with the union, which is normal procedure. We negotiated a new contract after some negotiations, for 3 years, and that is still in effect.

Mr. McLendon. Was that negotiated with little difficulty, too?

Mr. Armstrong. With difficulty? Well, there were meetings, the normal things that you have in this.

Mr. McLendon. Have you ever heard the expression "a sweetheart contract"?

Mr. Armstrong. I don't know if I heard that particular expression.

Mr. McLendon. You said you hadn't had much experience with unions.

Mr. Armstrong. No, sir.

Mr. McLendon. You wouldn't know what that term means?

Mr. Armstrong. I don't think so; no, sir.

(At this point of the proceedings, Senator Pell left the committee room.)

Mr. McLendon. Mr. Armstrong, since you have been in charge of the bank accounts and the finances of the company, have you ever paid any money to Fred Black, Jr.?

Mr. Armstrong. Not to my knowledge; no, sir.

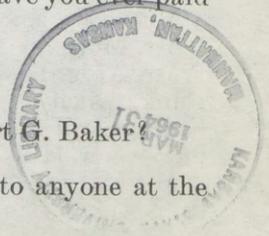
Mr. McLendon. None at all?

Mr. Armstrong. Not that I recall; no.

Mr. McLendon. Have you ever paid any to Robert G. Baker?

Mr. Armstrong. No, sir; not to my knowledge.

Mr. McLendon. Have you ever paid any money to anyone at the direction of Black or at the direction of Baker?



Mr. ARMSTRONG. Not that I recall; no, sir.

Mr. McLENDON. Have all of the loans that have been made by the Serv-U Corp. from banks been handled by someone, negotiated in the first instance by someone other than yourself?

Mr. ARMSTRONG. You say were they at the first bank?

Mr. McLENDON. Yes; all the loans at all banks?

Mr. ARMSTRONG. No, sir. I made a loan here not too long ago.

Mr. McLENDON. Where?

Mr. ARMSTRONG. I made it through Automatic Canteen Manufacturing Co., which I bought equipment from. They—Rowe purchased through a company in New York as I recall—

Mr. McLENDON. R-o-w-e?

Mr. ARMSTRONG. Yes.

Mr. McLENDON. They are the manufacturer?

Mr. ARMSTRONG. That is correct.

Mr. McLENDON. You bought some equipment from them?

Mr. ARMSTRONG. That is correct.

Mr. McLENDON. And gave them a purchase-money contract or a note for the purchase price?

Mr. ARMSTRONG. As I recall, as I say I assume that is what you would call—I signed a note. Yes, sir; I negotiated that myself.

Mr. McLENDON. That was purchase-money agreement, wasn't it; the purchase price of the machines?

Mr. ARMSTRONG. Maybe I quoted the thing wrong when I said that I negotiated a loan. I didn't negotiate the loan. I negotiated to pay for this equipment I had bought.

Mr. McLENDON. My question was really directed at borrowing; money borrowed from the banks. Did you ever negotiate any of those?

Mr. ARMSTRONG. Not from a bank, no, sir.

Mr. McLENDON. Were all of them handled by Mr. Black or Mr. Baker or both of them?

Mr. ARMSTRONG. I would not—at that time I did not know that they were handled by who exactly. I thought they were handled by Ernest Tucker, as I said before.

Mr. McLENDON. And who decided where your bank accounts would be carried?

Mr. ARMSTRONG. Mr. Simon, as far as I know, decided that the first one would be the City National Bank in Beverly Hills. He negotiated—he opened that. I was not in California at the time it was opened. As far as I know, Mr. Tucker or whoever negotiated this loan from the bank in Oklahoma decided that account would be there. As I recall, and I am not positive, but I recall Mr. Tucker told me that is where the account would be.

Mr. McLENDON. And had you kept the account there all the time?

Mr. ARMSTRONG. The account in Oklahoma?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. We had the two accounts, the one at City National Bank, which we kept, and then the other account. The one at Oklahoma is still there. We no longer bank with the City National Bank in Beverly Hills. We bank with the Union Bank in Los Angeles.

Mr. McLENDON. Do you still carry the bank account with the Fidelity National Bank of Oklahoma City?

Mr. ARMSTRONG. Oh, yes.

Mr. McLENDON. Is that the only bank in Oklahoma in which you carry an account?

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. Who determined that the account should be opened in that bank?

Mr. ARMSTRONG. As I said a minute ago, I understood it was determined by Mr. Tucker. I thought that was who had negotiated it.

Mr. McLENDON. Is that your principal checking account—in the Fidelity National Bank?

Mr. ARMSTRONG. Well, we have two checking accounts, as I said, and what happens is our money comes in daily. We deposit it in now the Union Bank; it used to be the City National Bank. As we gather more money there in that account, we transfer it to the Oklahoma bank, and most of our bills are paid from the Oklahoma bank.

Mr. McLENDON. This one bank in Oklahoma, the Fidelity National, is the only bank in that State that your company carries an account with?

Mr. ARMSTRONG. To my knowledge; yes, sir.

Mr. McLENDON. Have you ever carried an account with a bank in the District of Columbia?

Mr. ARMSTRONG. Serv-U Corp. as a vending corporation, as far as I know, did not. Mr. Tucker had some here when he was running the motel after Serv-U bought the company.

Mr. McLENDON. That is an account in connection with the operations of the motel?

Mr. ARMSTRONG. That is correct.

Mr. McLENDON. Did you know at any time, Mr. Armstrong, that Mr. Black and Mr. Baker were large borrowers of money from the Fidelity National Bank of Oklahoma?

Mr. ARMSTRONG. No, sir; I did not at that time.

Mr. McLENDON. Did you not learn it?

Mr. ARMSTRONG. I have learned it now; yes. It is in the paper, and in your testimony I gathered that. I don't know where it was, but I read it somewhere. Certainly, I know. I heard it at a stockholders meeting. Actually I don't recall them ever telling me that they were large borrowers there. No, sir; I don't recall that.

Mr. McLENDON. Can you tell the committee approximately how much money the Serv-U Corp. now owes to the Fidelity National Bank of Oklahoma City?

Mr. ARMSTRONG. This would be a guess on my part because I don't have the figures. I think that we owe them somewhere around \$230,000.

Mr. McLENDON. And are you obligated to pay something monthly?

Mr. ARMSTRONG. Pay every month; yes, sir.

Mr. McLENDON. And have you been keeping up those payments?

Mr. ARMSTRONG. We have never missed a payment. We have paid \$15,000 a month ever since we had our original loan with them. In some cases I have paid more money.

Mr. McLENDON. And you say that you did not know that either Black or Baker had borrowed large sums of money from the same bank.

Mr. ARMSTRONG. Not at that time; no, sir; I did not.

Mr. McLENDON. When you did find out about it, did you make any inquiry?

Mr. ARMSTRONG. I don't recall that I did find out, to be quite frank with you. I wasn't sure of this at all. But I made no inquiries; no.

Mr. McLENDON. At the present time your company has contracts with three of the divisions of North American Aviation, according to the testimony.

Mr. ARMSTRONG. With three divisions of North American?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. Yes, sir; that is correct.

Mr. McLENDON. And you have contracts with one or two divisions of Northrop.

Mr. ARMSTRONG. Well, I don't believe that—one of them, I think, is a division. The other one, I think, is just part of a division, but we have two locations in Northrop; yes, sir.

Mr. McLENDON. Do you have contracts with any other companies that are engaged in Government contract work?

Mr. ARMSTRONG. We have, I think, about 13 or 14 machines in STL, Space Technical Laboratories. That is the correct name for this.

Mr. McLENDON. Where is that?

Mr. ARMSTRONG. It is in Los Angeles.

Mr. McLENDON. Do you have any others?

Mr. ARMSTRONG. Well, I have approximately 400 machines in schools where I sell school supplies. I have a few cigarette machines. As I recall I have one in a bar; a few other small accounts but they are very negligible.

Mr. McLENDON. Do you have any on the east coast at all; sir?

Mr. ARMSTRONG. Does Serv-U?

Mr. McLENDON. Serv-U.

Mr. ARMSTRONG. Not to my knowledge; no, sir.

Mr. McLENDON. Evidence has been introduced here before the committee, Mr. Armstrong, indicating that Mr. Baker had represented that Serv-U was going to engage in the vending machine business on the east coast. Do you have any knowledge of that?

Mr. ARMSTRONG. The only thing I know about that is that Mr. Hancock, as I recall, at one time said that they were thinking about opening an eastern division of Serv-U Corp., and if that was the case that he would run the eastern division, and I would run the western division, as I recall.

Mr. McLENDON. Was anything ever done about that?

Mr. ARMSTRONG. Anything ever done?

Mr. McLENDON. About opening up an eastern division.

Mr. ARMSTRONG. The only thing that I know about that is that, as far as opening it up, Mr. Hancock spent some time in Washington, I know. At the time of any expenses we had up on our books charged against the eastern division, but there was never anything done as far as obtaining business, as far as I know.

Mr. McLENDON. So in substance, then, the only thing that has been done about opening up business in the eastern division has been the exploration work done by Mr. Hancock?

Mr. ARMSTRONG. As far as I know; yes, sir.

Mr. McLENDON. And his expenses in that connection have been paid by Serv-U?

Mr. ARMSTRONG. Well, we have paid some of his expenses. I don't know if that is all of his expenses, but we paid some of them; yes, sir.

Mr. McLENDON. Did you have any knowledge of any claim on the part of anybody for Serv-U to acquire the company and business of Mr. Hancock that he operates in Florida?

Mr. ARMSTRONG. I am sorry, sir. Would you repeat that question?

Mr. McLENDON. I said did you have any information from anyone connected with Serv-U of any plans for Serv-U to purchase the vending machine business of Mr. Hancock which he had been operating in Florida?

Mr. ARMSTRONG. Are you talking about Serv-U Corp.?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. We had some discussion. Gene told me a couple of times he was going to try to work out something to see if he could sell his company to Serv-U, but that is as much as I knew about it, as I recall.

Mr. McLENDON. Nothing was ever done about it?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. Did you have any knowledge of Mr. Hancock's visits to Melpar here in Washington?

Mr. ARMSTRONG. No, sir; not at that time I didn't know it; no, not that I recall. He may have mentioned it to me on the telephone, but I had no interest in it. I didn't know anything about it.

Mr. McLENDON. You never had anything to do with that?

Mr. ARMSTRONG. No, sir.

(At this point Senator Pell reentered the hearing room.)

Mr. McLENDON. Mr. Armstrong, did you visit Las Vegas one or more times in connection with your business?

Mr. ARMSTRONG. Oh, I suppose I have been in Las Vegas about six times in my life.

Mr. McLENDON. I am talking about since you have been with Serv-U; have you been there?

Mr. ARMSTRONG. Yes; I have been over there three or four times.

Mr. McLENDON. Did you go to see Mr. Levinson and Mr. Torres?

Mr. ARMSTRONG. I went to see Mr. Levinson. I didn't go to see Mr. Torres; no.

Mr. McLENDON. What part of the business of Serv-U were you interested in talking to Mr. Levinson about?

Mr. ARMSTRONG. I don't recall if there was any particular part of it. I went there on one occasion to buy some school vending machines, from a gentleman who had lived in Los Angeles, and had these machines on location, and had moved to Las Vegas and he wanted to sell them. He, as I recall, was in the asphalt business, and I went there and I purchased these machines from him. After I finished my business with him, I went by and said hello to Mr. Levinson. I caught the plane and went back to California.

Mr. McLENDON. What other business did you have with Mr. Levinson on the other trips that you made to Las Vegas?

Mr. ARMSTRONG. Nothing other than more or less bringing him up to date, telling him how Serv-U was doing, and so forth, as I recall.

Mr. McLENDON. You mean you would make a trip to Las Vegas just to tell him that the corporation was doing all right?

Mr. ARMSTRONG. I suppose that is right; yes. I think so.

Mr. McLendon. You went there once with Mr. Hancock, did you not?

Mr. Armstrong. Yes; my wife and I and Mr. Hancock.

Mr. McLendon. What was the purpose of that visit?

Mr. Armstrong. Mr. Hancock had never been there. My wife had never been there. We drove over on Saturday and we drove back on Sunday.

Mr. McLendon. Did you talk to Mr. Levinson on that occasion?

Mr. Armstrong. Yes.

Mr. McLendon. Did you ever ask Mr. Levinson for any financial assistance or aid for the company?

Mr. Armstrong. Did I, personally?

Mr. McLendon. Yes.

Mr. Armstrong. No, sir; not that I recall.

Mr. McLendon. I mean on behalf of the company. Did you ask him for any help on behalf of the company?

Mr. Armstrong. Not that I recall; no, sir.

Mr. McLendon. Did you advise with him about financing problems?

Mr. Armstrong. I brought him up to date on the money purchase order that I negotiated; sure.

Mr. McLendon. Is that the only financing that you discussed with him?

Mr. Armstrong. As far as I recall; yes, sir.

Mr. McLendon. Do all of your contracts on the west coast contain cancellation clauses?

Mr. Armstrong. Yes, sir; they certainly do.

Mr. McLendon. Are they uniform?

Mr. Armstrong. I couldn't say out of memory that they are uniform, because, as I recall, there are a couple of cancellation clauses in them. I think, for instance, as I recall North American's is 30 days, but I think that they can cancel you in less under certain circumstances, if they wish. With Northrop I believe this is correct also, not the exact number of days, but they can be canceled within 30 days, and under certain circumstances, as I recall, they may cancel in less than 30 days.

Mr. McLendon. What part of the total volume of your vending business will be represented by your contracts with North American and Northrop combined?

(At this point Senator Scott entered the hearing room.)

Mr. Armstrong. Well, I would say, as a guess, 98 percent.

Mr. McLendon. About 98 percent?

Mr. Armstrong. I would guess. I haven't the figures right here in front of me.

Mr. McLendon. What would be the approximate volume of your business monthly?

Mr. Armstrong. At the present time?

Mr. McLendon. Yes; at the present time.

Mr. Armstrong. Well, we operate on a 13 4-week period rather than 12 calendar months, but at the present time if we have a 4-week period without any holiday in it, we close down. We do approximately \$300,000 every 4 weeks.

Mr. McLendon. Every 4 weeks?

Mr. ARMSTRONG. Yes, sir; that is correct.

Mr. McLENDON. And of that amount what part or how much would you pay to the corporation with whom you have contracts?

Mr. ARMSTRONG. You mean of the total amount?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. That we pay? I think that our commissions average out about 21 percent. It is fairly close. I think that my normal check—well, I would say approximately 21 percent, Mr. McLendon.

Mr. McLENDON. Of the \$300,000—some-odd gross you pay 21 percent to the companies?

Mr. ARMSTRONG. Approximately, yes.

Mr. McLENDON. Approximately?

Mr. ARMSTRONG. I mean if you take your commissions and average them out, that would be approximately right. As I recall on the same type of a 4-week period when we had no holidays, I believe that my commission check in North American would run somewhere around \$66,000. The plant I have in Northrop would run something like \$3,200 or \$3,300. The other plant that I have in Northrop it normally runs during a 4-week period with no holidays around \$1,500.

Mr. McLENDON. Could you give the committee the approximate amount of your net profits for a 4-week period before taxes?

Mr. ARMSTRONG. Our net profit before taxes, did you say?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. I have to answer this in this manner because I am not familiar with the motel situation. Are you asking me about the vending company alone?

Mr. McLENDON. The vending company alone, if you are familiar with that.

Mr. ARMSTRONG. If it stood on its own feet and did not have to take into consideration depreciation and so forth from the motel?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. I would say about 14 percent.

Mr. McLENDON. And in terms of dollars how much would that be?

Mr. ARMSTRONG. Whatever 14 percent is of \$320,000.

Mr. McLENDON. Fourteen percent of \$320,000 for each 4-week period?

Mr. ARMSTRONG. If every 4-week period it does that much business; yes.

Mr. McLENDON. That would not take into account the expense of operating the motel?

Mr. ARMSTRONG. Oh, no; no.

Mr. McLENDON. Mr. Armstrong, have you ever visited Robert Baker in Washington?

Mr. ARMSTRONG. Here in Washington?

Mr. McLENDON. Yes.

Mr. ARMSTRONG. As I recall, I have seen Mr. Baker here in Washington twice, and I have only been in Washington—this is the third time I have been in Washington since I went with the Serv-U Corp. My first trip here was my first board of directors' meeting. On that trip I did not see Mr. Baker. When I came here on December 22, as I stated, I did see Mr. Baker, and I saw Mr. Baker today.

Mr. McLENDON. Did you come to Washington on either of those occasions to see him?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. Have you ever consulted with him about—consulted with him by telephone?

Mr. ARMSTRONG. I may have talked to him on the telephone. I don't recall. If I did, it wasn't more than once or twice. I don't recall, quite frankly.

Mr. McLENDON. Do you know whether he visited any of the offices of North American before you and Hancock negotiated the contract with North American?

Mr. ARMSTRONG. Not to my knowledge; no, sir.

Mr. McLENDON. If he did, you wouldn't have knowledge of it?

Mr. ARMSTRONG. No, sir.

Mr. McLENDON. You became acquainted with Mr. Workman of the Northrop Co.; did you not?

Mr. ARMSTRONG. Mister who?

Mr. McLENDON. Workman.

Mr. ARMSTRONG. Yes.

Mr. McLENDON. Did you receive a message from him that Mr. Black had been to see them about the vending contracts?

Mr. ARMSTRONG. No, sir; I did not.

Mr. McLENDON. Did he notify you that the Northrop plants were open to negotiations with Serv-U?

Mr. ARMSTRONG. My first time that I ever talked to Mr. Workman, Mr. Workman called me on the telephone. This was after we had obtained our first contract with Northrop, and this was after the first contract. And he advised me that he was inviting our company and several other companies that they were putting Northrop's business out for bid, and they would send us a list of the way that they would—instructions of how they would like the bid prepared, what they wanted to know about our company. That was the first time I talked to Mr. Workman.

Mr. McLENDON. It was after that you negotiated the second contract with Northrop?

Mr. ARMSTRONG. That is correct; yes, sir.

Mr. McLENDON. All right; I think that is all, Mr. Chairman.

Mr. ARMSTRONG. Excuse me; I would like to correct that. You said negotiate. We actually bid.

Mr. McLENDON. Bid?

Mr. ARMSTRONG. Yes, sir.

Mr. McLENDON. All right; that is all.

The CHAIRMAN. Senator Pell, do you have any questions?

Senator PELL. I have no questions.

The CHAIRMAN. Senator Curtis, do you have some questions?

Senator CURTIS. Mr. Armstrong, the Mike Singer that you refer to; would his address be 9107 Wilshire Boulevard, Beverly Hills, Calif.?

Mr. ARMSTRONG. It is on Wilshire Boulevard. I don't know the exact address, but it could be proper. It is on the bills we received.

Senator CURTIS. Mr. Levinson recommended him to you?

Mr. ARMSTRONG. Yes; as I stated before, he did.

Senator CURTIS. Did Mr. Levinson say anything about Mike Singer being a business partner of his?

Mr. ARMSTRONG. No, sir.

Senator CURTIS. He made no reference to being together in investments?

Mr. ARMSTRONG. No, sir.

Senator CURTIS. Did he mention the Allied Empire, Inc.?

Mr. ARMSTRONG. No, sir.

Senator CURTIS. Or any activity with the United States, Hawaii, Nassau, or elsewhere in savings and loan type banks?

Mr. ARMSTRONG. Did Mr. Levinson tell me this?

Senator CURTIS. Yes.

Mr. ARMSTRONG. No, sir.

Senator CURTIS. Did Singer?

Mr. ARMSTRONG. Mr. Singer just in conversation said that he had something to do with a savings and loan bank in Hawaii, but he didn't mention anything about Mr. Levinson's name.

Senator CURTIS. He didn't mention any place else?

Mr. ARMSTRONG. No, sir.

Senator CURTIS. Did you get quite well acquainted with Mike Singer?

Mr. ARMSTRONG. No, sir. I think that I have probably seen Mr. Singer about four times. After our first dealings and first contract I have dealt with Mr. Singer's associate, Mr. Ronald Hebbert.

Senator CURTIS. Did you inquire into his labor activities?

Mr. ARMSTRONG. No, sir; I did not.

Senator CURTIS. Did Mr. Levinson or anyone else inform you that Mr. Singer appeared before the McClellan committee of the U.S. Senate on February 6 and 7, 1959?

Mr. ARMSTRONG. No, sir. The first time I knew that was when I read it in the paper.

Senator CURTIS. He took the fifth amendment.

Mr. ARMSTRONG. That is what I read in the paper; yes, sir.

Senator CURTIS. Do you know Nathan Liber?

Mr. ARMSTRONG. Yes; I do.

Senator CURTIS. Where does he live?

Mr. ARMSTRONG. He lives in Reading, Pa.

Senator CURTIS. Have you ever been in business with him?

Mr. ARMSTRONG. No, sir; I have not.

Senator CURTIS. Have you had any previous vending business experience?

Mr. ARMSTRONG. Only that which I had with Mr. Hancock in Miami.

Senator CURTIS. What is Mr. Nathan Liber—

Mr. ARMSTRONG. It is Nat Liever—L-i-e-v-e-r.

Senator CURTIS. What is his business?

Mr. ARMSTRONG. He is in the vending business.

Senator CURTIS. Did you have any correspondence with Mr. Hancock about him?

Mr. ARMSTRONG. The gentlemen that came out from this committee, as I recall, asked me the same question. They asked me about Mr. Liever, and I told him that when I finally realized who Nat was, and I finally figured out who they were talking about, this gentleman has

been a friend of mine since I have been about 7 or 8 years old. He was a friend of my father's. The only correspondence as I recall that I had with Mr. Hancock, and I don't even know if it was correspondence, Mr. Liever sent a mechanic out to work in California. He had a job in California.

Senator CURTIS. Now you mentioned Mr. Walsh, who is a director of Serv-U.

Mr. ARMSTRONG. Yes, sir.

Senator CURTIS. Was he quite active in the Serv-U business?

Mr. ARMSTRONG. Not as far as I know. The first time I ever met Dr. Walsh or had any dealings with him at all was when I came to the board of directors' meeting in October 1963. The only other occasion I had to even talk to him I talked to him on the telephone one time; that is all.

Senator CURTIS. And what is his first name?

Mr. ARMSTRONG. Dr. Jim Walsh, I believe.

Senator CURTIS. James C. Walsh?

Mr. ARMSTRONG. I think that is correct; yes.

Senator CURTIS. In connection with your vending business in the Los Angeles schools, how was that arranged?

Mr. ARMSTRONG. When you say arranged—

Senator CURTIS. How did you get the business?

Mr. ARMSTRONG. I put a salesman on the street and we went out to work to get it.

Senator CURTIS. Did Mr. Baker have anything to do with it?

Mr. ARMSTRONG. No, sir.

Senator CURTIS. Do you know Mayor Yorty?

Mr. ARMSTRONG. No, sir; I do not. In fact, the majority of the machines are not in Los Angeles city. They are in Orange County.

Senator CURTIS. Are you acquainted with Mr. Jack Cooper?

Mr. ARMSTRONG. I have met him on a couple of occasions, as I stated before.

Senator CURTIS. Was that before or after you went with Serv-U?

Mr. ARMSTRONG. That was afterward.

Senator CURTIS. I believe you said that you just knew Mr. Torres?

Mr. ARMSTRONG. I only met him one time; just shook hands with him; that is all.

Senator CURTIS. Do you know about his business ventures with Mr. Baker?

Mr. ARMSTRONG. No, sir; I do not.

Senator CURTIS. Were you or Hancock in charge at the time Serv-U got Northrop?

Mr. ARMSTRONG. At the time that we got the first contract with Northrop?

Senator CURTIS. Yes.

Mr. ARMSTRONG. As I recall, Mr. Hancock was the president; I am sure Mr. Hancock—

Senator CURTIS. I mean was he present in California?

Mr. ARMSTRONG. When we negotiated for the contracts themselves?

Senator CURTIS. Yes.

Mr. ARMSTRONG. Not that I recall; no.

Senator CURTIS. Did Mr. Hancock send you a copy of the agreement that Northrop had with the vending company that was in there?

Mr. ARMSTRONG. Not that I recall; no, sir. The gentleman that came to our office asked me that. I don't recall that; no, sir.

Senator CURTIS. You don't recall a letter from Hancock to you of November 9, 1962, wherein it is alleged that he stated "I am enclosing a copy of the agreement between Northrop Corp. and the present vendor. I would be very careful with this and not let it lay around."

Mr. ARMSTRONG. No, sir. I do not remember that.

Senator CURTIS. Would you say you did not see the copy of the con—

Mr. ARMSTRONG. I don't recall.

Senator CURTIS (continuing). Contract Northrop had?

Mr. ARMSTRONG. I don't recall seeing that; no, sir.

Senator CURTIS. Now, do you know a Walt Capp?

Mr. ARMSTRONG. Walter Capp? Yes, sir; I do.

Senator CURTIS. What connection—what incident occurred in connection with the vending business between Serv-U and Capp?

Mr. ARMSTRONG. I don't understand exactly what you mean, Senator.

Senator CURTIS. I have been informed that Hancock wrote to Mr. Levinson, giving him a general report and said everything was going all right at North American except a fellow in North American by the name of Walt Capp is giving us a hard time.

Mr. ARMSTRONG. As I recall, the first 2 or 3 days that we took over the Los Angeles division of North American, Mr. Capp at that time was in the Los Angeles division and we were having some problems with the machines. I thought in my own mind that he was giving me a difficult time, and I probably told this to Mr. Hancock—to Mr. Hancock.

Senator CURTIS. Did you hold a position in the corporation at the time they bought the Carousel Motel?

Mr. ARMSTRONG. I was the vice president.

Senator CURTIS. And you knew of it as it was being talked of and negotiated.

Mr. ARMSTRONG. Not to my knowledge; no, sir. Not to my knowledge; no.

Senator CURTIS. You didn't know about it until after it was purchased?

Mr. ARMSTRONG. I don't recall exactly when I first heard about it. I think Mr. Tucker told me that either it was being discussed or was bought. I am not quite certain, to be frank with you.

Senator CURTIS. You had 400 shares.

Mr. ARMSTRONG. Of Serv-U Corp.?

Senator CURTIS. Yes.

Mr. ARMSTRONG. Yes, sir.

Senator CURTIS. Out of a total of how many shares?

Mr. ARMSTRONG. As I recall, 10,000.

Senator CURTIS. That is all.

The CHAIRMAN. Senator?

Senator SCOTT. I have no questions.

The CHAIRMAN. Do you have further questions?

Senator CANNON. No.

Mr. McLENDON. No questions.

The CHAIRMAN. Mr. Armstrong, we appreciate your being here. You came without subpoena, and we appreciate that very much. You may be excused.

Mr. ARMSTRONG. Thank you very much.

The CHAIRMAN. The meeting is not adjourned. I want to get this in the record. I will read this letter into the record.

After I left this morning, when Mr. Collins was testifying, he referred to a conversation he had with me and some other officials of the District of Columbia National Bank regarding renting some space at the Capitol or one of the buildings, and I have this letter from the District of Columbia National Bank to Hon. Everett B. Jordan, chairman of the Senate Rules Committee, U.S. Senate, Washington, D.C., dated July 19, 1963. He states:

DEAR MR. CHAIRMAN: I would like to take this opportunity to express my grateful appreciation for the opportunity of visiting with you yesterday with my colleagues. As Carl Brunner and William Collins, president and executive vice president of the District of Columbia National Bank, and I indicated to you yesterday, our bank is keenly interested in being able to establish a facility to service the employees of the U.S. Senate.

We are keenly aware of the space problems on Capitol Hill. Our bank is very desirous of being able to lease a minimum amount of space, roughly 500 square feet, whereby we could make available banking facilities to the more than 3,000 employees who are currently on the Senate payroll. At your convenience, we would like to make application to the full Senate Rules Committee for permission to open a bank facility, preferably in the basement and near the loading platform for the subway cars.

As you well know, it is impossible for employees of the Senate to cash a check or to engage in normal banking activities without a terrific loss of man-hours. We sincerely feel that we can be of great assistance to the employees of the Senate and in many ways save many thousands of dollars to the country by the saving of these man-hours.

Any suggestions that you might have will be appreciated.

This letter was signed by Mr. Irving Lichtman, chairman of the board.

Now, here is a letter dated October 4, which is in reply to that letter which Mr. Harrison of the Rules Committee at my direction wrote Mr. Lichtman:

MR. IRVING S. LICHTMAN,
*Chairman of the Board, District of Columbia National Bank, 1812 K Street NW.,
Washington, D.C.*

DEAR MR. LICHTMAN: I have delayed answering your letter relative to the establishment of a commercial banking facility for Senate employees, in order to look into the proposal and obtain information which will be helpful to you.

After a discussion with a number of people and officials of the Senate, we have come to the unanimous decision that it would not be practical to open a commercial branch bank on the Senate premises.

In making the inquiries, I was informed that similar applications have been made before and that other banking institutions located in the city have asked to be heard if this matter is brought before the Committee on Rules and Administration.

With all best regards,

Sincerely,

B. EVERETT JORDAN,
Chairman, Rules Committee.

That is the total of that, and I never heard from them since.

Any questions?

Thank you very much. The committee will stand adjourned.

(Whereupon, at 3:40 p.m., the committee went into executive session.)

1262 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

Mr. Donegan will you kindly rise and be sworn. Place your left hand on the Bible. Raise your right hand.

Do you solemnly swear the testimony you are about to give to this committee will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. Donegan, will you state your full name and business address?

TESTIMONY OF DONALD L. DONEGAN ACCOMPANIED BY BERNARD J. MURPHY, COUNSEL

FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

MONDAY, FEBRUARY 24, 1964

U.S. SENATE,
COMMITTEE ON RULES AND ADMINISTRATION,
Washington, D.C.

The committee met, pursuant to notice, at 2:15 p.m., in room 301, Old Senate Office Building, Senator Howard W. Cannon presiding.

Present: Senators Jordan (chairman), Cannon, Pell, Curtis, Cooper, and Scott.

Also present: Gordon F. Harrison, staff director; Hugh Alexander, chief counsel; L. P. McLendon, general counsel; Burkett Van Kirk, associate counsel; James H. Duffy, associate counsel; William B. Whitley, staff assistant to Senator Jordan; Walter Mote, professional staff member; William Ellis Meehan, investigator; Marian G. Moore, assistant chief clerk; and Alice Clark, staff.

Senator CANNON. A quorum being present, the committee will come to order. Are Mr. Donegan and Mr. Sabella both here? Very well. This committee is acting by direction and under the authority of Senate Resolution 212, agreed to October 10, 1963, and Senate Resolution 291, agreed to February 10, 1964. Senate Resolution 212 authorizes and directs the Senate Committee on Rules and Administration to make a study and investigation with respect to any financial or business interests or activities of any officer or employee or former officer or employee of the Senate for the purpose of ascertaining (1) whether any such interests or activities have involved conflicts of interest or other impropriety, and (2) whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or restricting any such activities.

Witnesses have been interviewed by the staff and heard both in executive and public sessions. Considerable evidence has been obtained in testimony received to date. Witnesses who have appeared previously or who will be called in the future possess information which the committee believes is material and pertinent to the provisions of the resolution of direction and authorization and which will aid the committee in fulfilling its legislative purpose.

The Chair advises each witness that he is entitled under the rules of procedure of the committee to retain and be accompanied by counsel. The counsel may advise the witness of his legal rights during the course of the testimony. Should the witness not fully understand any question, the witness may ask for clarification. Counsel, however, shall not coach the witness or answer for the witness. The committee will now proceed to hear the testimony of Mr. Donald L. Donegan.

Mr. Donegan, will you kindly rise and be sworn? Place your left hand on the Bible. Raise your right hand.

Do you solemnly swear the testimony you are about to give to this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. DONEGAN. I do.

Senator CANNON. You may be seated. Counsel, you may proceed.

Mr. McLENDON. Will you state your full name and business address?

TESTIMONY OF DONALD L. DONEGAN, ACCOMPANIED BY BERNARD J. NUSSBAUM, COUNSEL

Mr. DONEGAN. Donald Lee Donegan, 4201 Touhy Avenue, Lincoln Woods, Ill.

Mr. McLENDON. Are you accompanied by your counsel?

Mr. DONEGAN. Yes; I am.

Mr. McLENDON. Will he state his name and address?

Mr. NUSSBAUM. Bernard J. Nussbaum, 77 West Washington Street, Chicago, Ill.

Mr. McLENDON. Mr. Donegan, in August of 1963 what position, if any, did you have with the Interstate Vending Co.?

Mr. DONEGAN. Corporate general sales manager.

Mr. McLENDON. Where was your office?

Mr. DONEGAN. 4301 Touhy Avenue, Lincoln Woods, Ill.

Mr. McLENDON. What were your duties?

Mr. DONEGAN. I am in charge of sales, promotion, and advertising for our corporation.

Mr. McLENDON. Do you make surveys of prospective customers?

Mr. DONEGAN. Yes; I do.

Mr. McLENDON. And do you make proposals for contracts?

Mr. DONEGAN. Yes; I do.

Mr. McLENDON. What is Mr. Kenneth Sabella's position with the company?

Mr. DONEGAN. Mr. Sabella is a vice president of our company—an "area vice president," I think is the correct term. He has responsibility in the eastern part of the country over some of our food service and vending divisions.

Mr. McLENDON. Where was his office in August 1963?

Mr. DONEGAN. Hartford, Conn., I think.

Mr. McLENDON. Mr. Donegan, in the regular course of business did you have occasion to come to Washington about the 14th or 15th of August 1963?

Mr. DONEGAN. Yes; I did.

Mr. McLENDON. What did you come for; I mean what business did you come for?

Mr. DONEGAN. I came to meet with a Mr. Gene Hancock to discuss with him the possibility of our company's interest in a Mr. Scotty Peek.

Mr. McLENDON. You discussed with Hancock your company's interest in a man named "Scotty Peek"?

Mr. DONEGAN. That is correct, sir.

Mr. McLENDON. Explain that.

Mr. DONEGAN. Mr. Hancock was owner of a company located in Miami, Fla., which my company was in the process of negotiating

with to determine whether or not we would be interested in purchasing his company. Through the course of this negotiation he mentioned to us that he knew a Mr. Scotty Peek soon leaving the Government services and he felt that he would be helpful to him and to our joint companies at that point if we merged together, expanding our business in Florida.

Mr. McLENDON. Was Mr. Hancock's business at that time in Florida?

Mr. DONEGAN. Yes, sir.

Mr. McLENDON. Did you have an engagement to meet Mr. Peek in Washington?

Mr. DONEGAN. Yes; I did.

Mr. McLENDON. When you arrived, what happened?

Mr. DONEGAN. When I arrived, Mr. Peek wasn't there.

Mr. McLENDON. Where were you supposed to meet him?

Mr. DONEGAN. We were meeting at the Madison Hotel.

Mr. McLENDON. You say he was not there?

Mr. DONEGAN. That is correct.

Mr. McLENDON. Did you learn why he hadn't kept the engagement?

Mr. DONEGAN. As I recall, I was told that unexpected business had come up which caused him to have to leave town.

Mr. McLENDON. Did you know Mr. Hancock prior to that night?

Mr. DONEGAN. Yes; I did.

Mr. McLENDON. How long had you known him?

Mr. DONEGAN. I first met Mr. Hancock in January of 1963.

Mr. McLENDON. Had you had any discussions before that night, the night that you were supposed to meet Mr. Peek, with Mr. Hancock about buying his company?

Mr. DONEGAN. Only as a party to a group made up of our company that went down to survey his company in January.

Mr. McLENDON. You mean a group from your company had been to Florida and surveyed his operations?

Mr. DONEGAN. Well, I was involved in discussions in January in Mr. Hancock's office with other members of my firm, talking to him about his company.

Mr. McLENDON. On this night that you came to Washington and were to meet Mr. Peek, had you arrived at any agreement with Mr. Hancock?

Mr. DONEGAN. We were in a period of operation with him at that point.

Mr. McLENDON. I didn't understand.

Mr. DONEGAN. Our negotiations had reached a point that we had taken an option on his company, and it was during that period we met.

Mr. McLENDON. Now, before you arrived in Washington, had you known anything about the Melpar Co.?

Mr. DONEGAN. Well, I knew that it was a company in existence. I had personally, a year and a half or so earlier, attempted to make a contact with that account to introduce my company and our services to them.

Mr. McLENDON. Were you successful?

Mr. DONEGAN. No; I wasn't.

Mr. McLENDON. On the night that you met Mr. Hancock here, did he disclose to you any information about Melpar?

Mr. DONEGAN. During the course of our conversation about Mr. Peek—when he didn't arrive, we had a good deal of time to kill, and during the course of that evening he mentioned to me that he had put together an arrangement to handle the food service and vending that was going to be recommended to the Melpar Co., and he asked my opinion of what he had put together, and it was in that manner that we got off and I became involved in talking to him about the Melpar account.

Mr. McLENDON. Did Mr. Hancock disclose to you the identity of the company or companies he referred to?

Mr. DONEGAN. I am not sure if it was at that time that I knew—the company he was considering bringing in?

Mr. McLENDON. Yes.

Mr. DONEGAN. Yes; I am sure he did. I know as I recall the food service company was a company known as Hot Shoppes, and I don't recall the vending company.

Mr. McLENDON. Was the name "Serv-U" mentioned at all?

Mr. DONEGAN. No; it wasn't.

Mr. McLENDON. It was not. Did you discuss with Mr. Hancock that night Mr. Robert G. Baker?

Mr. DONEGAN. Yes; I did.

Mr. McLENDON. How did that come into the conversation?

Mr. DONEGAN. When Mr. Peek wasn't available, Mr. Hancock made a phone call and an arrangement was made whereby the following morning I was to be introduced to Mr. Baker, and the sum and substance of that meeting was to be that Mr. Baker was going to tell me another little bit more about Scotty Peek.

Mr. McLENDON. What, if anything, did Mr. Hancock tell you about Baker?

Mr. DONEGAN. The one major thing I suppose that I can recall is that he had a clipping which was rather impressive to me. Just prior to that time I have to admit I had never heard of Mr. Baker, nor did I realize exactly who he was, and in this clipping—

Mr. McLENDON. You are talking about a newspaper clipping.

Mr. DONEGAN. It was a newspaper clipping and as I recall it referred something to Mr. Baker as the 97th Senator.

Mr. McLENDON. The 97th Senator?

Mr. DONEGAN. Yes; it was a particular clipping which, in reading through it, certainly was very flattering to Mr. Baker and all that he had achieved and had been bestowed upon him.

Mr. McLENDON. What else did Mr. Hancock say about him that you recall?

Mr. DONEGAN. I can't recall anything specifically, sir, other than that I think the whole vein of our conversation was one in where I knew I concluded it being very much impressed with Mr. Baker and his position.

Mr. McLENDON. Was he represented to you as a friend of Scotty Peek?

Mr. DONEGAN. Yes; he was.

Mr. McLENDON. And in consequence of the engagement you made that night, did you and Hancock meet with Baker the next day?

Mr. DONEGAN. Yes; I did.

Mr. McLENDON. Where?

Mr. DONEGAN. In Mr. Ernest Tucker's legal office.

Mr. McLENDON. Here in the city?

Mr. DONEGAN. Yes, sir.

Mr. McLENDON. Just the four of you—you, Hancock, Tucker, and Baker?

Mr. DONEGAN. Yes, sir.

Mr. McLENDON. What happened then?

Mr. DONEGAN. Well, we met and Mr. Baker arrived a little late and we right away discussed Scotty Peek and Mr. Baker, as I recall, asked me what the financial arrangements would be if Mr. Peek were to join our company?

Mr. McLENDON. You say Mr. Baker asked you that?

Mr. DONEGAN. Yes.

Mr. McLENDON. You mean he asked you what his salary was going to be?

Mr. DONEGAN. As I recall I believe that he did. I think so.

Mr. McLENDON. Did he ask whether he would have any participation in the profits of the company?

Mr. DONEGAN. I really don't recall that he did.

Mr. McLENDON. Mr. Donegan, did he discuss the arrangement—the projected arrangement with Mr. Scotty Peek as if he himself was familiar with Mr. Peek and could negotiate for him?

Mr. DONEGAN. Yes; he did.

Mr. McLENDON. Did he represent himself as being the agent for Mr. Peek?

Mr. DONEGAN. I don't know that an agent, sir, would be the proper term. It might be descriptive of that. I think it was represented more the fact that they had been longtime close personal friends and that in Mr. Peek's absence that he could in effect hear what our company was thinking about in terms of Mr. Peek.

(Senators Jordan and Pell entered the hearing room.)

Mr. McLENDON. Did he state to you that he was authorized to speak for Mr. Peek?

Mr. DONEGAN. I don't recall for certain whether he made that statement or not.

Mr. McLENDON. Do you recall whether he said he had communicated with Mr. Peek after you got to town and Peek himself wasn't here?

Mr. DONEGAN. Well, right while we were there he called him.

Mr. McLENDON. He called him in your presence?

Mr. DONEGAN. Yes; he did.

Mr. McLENDON. And did he represent that, after he had talked to Peek over the telephone, he could speak for Peek?

Mr. DONEGAN. I don't think it was necessary. As I recall I became involved in the phone conversation to the extent that I believe that Mr. Baker first pointed out some of the terms which had been discussed, and then I spoke with Mr. Peek and suggested that we meet in Chicago at his convenience as soon as possible.

Mr. McLENDON. During the night when you first met with Mr. Hancock and Peek was not present, did you agree or did you decide that you would undertake to get the Melpar contract for your company?

Mr. DONEGAN. Not at all.

Mr. McLENDON. What decision, if any, did you reach about that?

Mr. DONEGAN. Well, when he had told me the arrangements which they had put together at that point, I told him that I felt that for a company that size, that I would very much appreciate an opportunity if I could to introduce my own company into the situation, that if we were to come in and operate the food service and the vending that there were many economies available to a person who operates both of these, and that by so doing I thought we could provide a better job for Melpar and asked if I might the next morning—

Mr. McLENDON. Asked him what?

Mr. DONEGAN. Asked if I might the next morning have the opportunity to present it to Mr. Baker and Mr. Tucker.

Mr. McLENDON. What did he say?

Mr. DONEGAN. It was a long evening, and he agreed, after we had spoken about Mr. Peek, that we could talk about the Melpar Co.

Mr. McLENDON. So as a good salesman you talked him out of trying to get the contract himself and got him to agree to let you bid for it; is that right?

Mr. DONEGAN. Well, sir, I don't think it is correct to say that I talked him out of getting it for himself.

Mr. McLENDON. You didn't?

Mr. DONEGAN. Because it was never my impression that he was getting it for himself, but he was getting it for another company.

Mr. McLENDON. I see. To put it a different way, you talked him into helping you bid for the Melpar contract?

Mr. DONEGAN. I talked him into allowing me to talk to Mr. Baker and Mr. Tucker about our company coming in and running a quick survey.

Mr. McLENDON. What did you understand Baker had to do with it?

Mr. DONEGAN. I was made to understand I think during the evening that Mr. Baker was closely associated with the Melpar Co., certainly in a friendship manner, to whereby it would have appeared in my discussions up to that point that he had been requested or almost commissioned to come up with the most favorable food service and vending arrangements for that particular account.

Mr. McLENDON. So the next morning were you introduced to the Melpar people?

Mr. DONEGAN. No. You mean the next morning would have been—

Mr. McLENDON. About the 16th, wouldn't it? How soon after this conversation did you go down to Melpar?

Mr. DONEGAN. On August 19.

Mr. McLENDON. August 19. Who went with you?

Mr. DONEGAN. Mr. Kenneth Sabella.

Mr. McLENDON. He is with your company?

Mr. DONEGAN. Yes; he is.

Mr. McLENDON. Who made the engagement?

Mr. DONEGAN. The engagement was made—and I am not quite sure—by either Mr. Tucker or Mr. Baker by a phone call to the Melpar Co., the question that he would be allowed to survey?

Mr. McLENDON. Whom did you see at Melpar?

Mr. DONEGAN. We were introduced first to a Mr. Arthur Weid; and he brought into the meeting a Mr. Brandon Marsh.

Mr. McLENDON. That was the 19th of August.

Mr. DONEGAN. Yes, sir.

Mr. McLENDON. And were you shown the facilities there at Melpar, the vending facilities that were then being operated?

Mr. DONEGAN. We made a complete physical survey of the vending and the food service.

Mr. McLENDON. And did you get all the information you needed to enable you to make a proposal for your company?

Mr. DONEGAN. Yes; we did.

Mr. McLENDON. You and Mr. Sabella were alone? Did Hancock go with you?

Mr. DONEGAN. No, sir.

Mr. McLENDON. Did Mr. Baker go with you?

Mr. DONEGAN. No, sir.

Mr. McLENDON. Or Mr. Tucker?

Mr. DONEGAN. No, sir.

Mr. McLENDON. Why did you understand that the meeting with Mr. Baker was held at Tucker's office? Was there any explanation made for that, the meeting that you attended at Tucker's office?

Mr. DONEGAN. No; there was no explanation for it other than this was the point to meet; nothing given whatsoever.

Mr. McLENDON. Mr. Baker had suggested that? He designated that.

Mr. DONEGAN. I really couldn't say. Gene Hancock the evening that I arrived in town to talk about Scotty Peek had made a phone call I assume to Mr. Baker, and I don't recall whether it was Baker or Tucker but at any rate the meeting was set up and scheduled for the next morning in Mr. Tucker's office.

Mr. McLENDON. After you had been to Melpar and surveyed the situation there, did you then discuss with Hancock and the others what your proposal would be to Melpar?

Mr. DONEGAN. I did on the evening—Monday evening I discussed with Mr. Tucker and Mr. Hancock, after going back to our hotel room with Mr. Sabella and working on the account.

Mr. McLENDON. That was at the Madison Hotel here in Washington?

Mr. DONEGAN. Yes, sir.

Mr. McLENDON. And did you tell these gentlemen—that is, Tucker and Hancock—that, so far as your company was concerned, you could afford to pay Melpar \$8 per employee per year as commissions?

Mr. DONEGAN. I told them that there was \$8 available for commissions.

Mr. McLENDON. What does that mean in your language? Does that mean that you could pay Melpar and still make a profit sufficient to compensate your company?

Mr. DONEGAN. That is exactly correct; exactly correct to the extent that we talk in terms of a remuneration or commission back to the company; we have already computed into that our own profit for being in business.

Mr. McLENDON. So any difference between \$8 and what you finally agreed to pay would be available as a fund that you could pay anybody, commissions, finders' fees, and so forth.

Mr. DONEGAN. That is right. There was a total of \$8 to be paid.

Mr. McLENDON. Now about that time did the Melpar people send one of their men around to check some Interstate operations?

Mr. DONEGAN. Yes; they did on Wednesday, August 21. Mr. Brandon Marsh flew from Washington into New York. I met him in New York and took him through a number of our New York operations.

Mr. McLENDON. Was Mr. Tucker with him?

Mr. DONEGAN. Mr. Tucker was with him.

Mr. McLENDON. Do you know why?

Mr. DONEGAN. Other than it was arranged that way, Mr. Tucker called to make arrangements that—as I have understood we were not the sole bidder on this account, that a firm by the name of Gladio was also bidding on the combined operations, and that Mr. Tucker had called to make arrangements with the management of Melpar, as the final decision on who was going to operate the account did in every sense seem to me rest with the Melpar Co., that they had gotten this proposal together and they would like them to now come out and see the way in which these two companies operated.

Mr. McLENDON. Are you able to tell the committee who Tucker was representing?

Mr. DONEGAN. I would be hard put to say that I felt he was representing anyone more than himself and the group that I met him with, being Mr. Hancock and Mr. Baker, that he was one of the three.

Mr. McLENDON. Had your company employed him?

Mr. DONEGAN. You mean was he on our payroll?

Mr. McLENDON. At that time did your company employ Tucker?

Mr. DONEGAN. No, sir.

Mr. McLENDON. So if he is going around showing your operations to Melpar he was not going as your agent or attorney; is that correct?

Mr. DONEGAN. That is correct.

Mr. McLENDON. Were you notified of the results of this trip, this inspection trip?

Mr. DONEGAN. Well, I was there while it was going on. I knew that they had surveyed our competitor in this case on bidding the job prior to seeing ours, and I think that I knew quite well what I was showing them were operations which either were a good deal higher as far as the caliber of the job than he might have seen from our competitor, and it was I think rather obvious that Mr. Marsh from Melpar was very pleased and impressed with what he saw.

Mr. McLENDON. In other words, you got the impression after this trip that Melpar was sold on your company?

Mr. DONEGAN. I think I did; yes, sir.

Mr. McLENDON. You got that impression from Mr. Marsh or from Mr. Tucker?

Mr. DONEGAN. I was looking, I think, more to read the reaction that Mr. Marsh would have to it, and I think that I left New York with a favorable impression.

Mr. McLENDON. Did you then call on Mr. Sabella to prepare a written proposal to be submitted to Melpar?

Mr. DONEGAN. Yes, sir.

Mr. McLENDON. Did he prepare it?

Mr. DONEGAN. Yes; he did.

Mr. McLENDON. Who submitted it to Melpar?

Mr. DONEGAN. As far as I know factually, I thought Mr. Sabella did.

Mr. McLENDON. I beg your pardon?

Mr. DONEGAN. I thought Mr. Sabella did as far as I knew factually.

Mr. McLENDON. Did you find out later that Mr. Tucker had anything to do with presenting it?

Mr. DONEGAN. I have come to understand since that the proposal was actually delivered to Mr. Tucker and Mr. Tucker delivered it to the account, although the specifics of this I am not very clear on and I know Mr. Sabella, at this particular point of the New York trip—I became pretty much detached from the presentation and the acceptance of the proposal until such time as in the weeks after I knew that it was in an occasional call to the people asking them how it was coming along.

Mr. McLENDON. Did you know that Mr. Tucker went to Melpar and negotiated this commission rate where it would be \$8 or something less than \$8?

Mr. DONEGAN. I have heard that. I don't know it to be a fact.

Mr. McLENDON. Who did agree on the commission rate, if you know?

Mr. DONEGAN. The commission rate would have been Mr. Sabella in our company. If you are referring to the \$8—

Mr. McLENDON. Yes.

Mr. DONEGAN. That was done jointly on the first day we met after surveying, during the day we met. He put together the food service part of it; I put together the vending; we combined our figures and came up and agreed that we would have \$8 available to return for commissions.

Mr. McLENDON. But \$8 was not the figure finally agreed on, was it?

Mr. DONEGAN. No; \$7 was.

Mr. McLENDON. What became of the \$1 between—the difference between \$8 and \$7?

Mr. DONEGAN. I guess we are \$1 better off.

Mr. McLENDON. How is that?

Mr. DONEGAN. I would assume that we are \$1 better off at this point.

Mr. McLENDON. You mean you had \$1 still to play with?

Mr. DONEGAN. That is right.

Mr. McLENDON. To pay finders' fees and such things?

Mr. DONEGAN. That is correct.

Mr. McLENDON. Who was entitled to finders' fees under these circumstances?

Mr. DONEGAN. Quite frankly, at the time I was negotiating, I told them that there was \$8 available and I really didn't care how that \$8 was split up. This is the maximum amount of money that we would have available to pay to the account of Melpar for operating that business, and so that I ended recommending, telling them how much money was available, and it finally wound up at \$7.

Mr. McLENDON. Let's see if this isn't correct. You told Tucker that you had \$8 to play with, did you not?

Mr. DONEGAN. Yes, sir.

Mr. McLENDON. And you left it up to him to negotiate the exact figure?

Mr. DONEGAN. I think the best answer I probably can give you is to tell you that at that point of the negotiations Mr. Sabella was to negotiate the actual figure.

Mr. McLENDON. Isn't it a fact that Tucker reported back to you that he had agreed with Melpar on \$7?

Mr. DONEGAN. Not to me.

Mr. McLENDON. I beg your pardon?

Mr. DONEGAN. He didn't report back to me.

Mr. McLENDON. Did he report to Sabella?

Mr. DONEGAN. I assume that that is——

Mr. McLENDON. You presume that he did?

Mr. DONEGAN. Yes.

Mr. McLENDON. And that was the figure finally incorporated in your contract?

Mr. DONEGAN. Yes; it was.

Mr. McLENDON. And to whom have you paid the other \$1?

Mr. DONEGAN. To no one really.

Mr. McLENDON. You are still holding it?

Mr. DONEGAN. Yes; in a manner of speaking; yes, we are still holding it.

Mr. McLENDON. For whom?

Mr. DONEGAN. At this point I feel that we are morally obligated to the extent that we have told these people from the beginning that there was \$8 available.

Senator CURTIS. Who are "these people"?

Mr. DONEGAN. When I originally presented it to——

Senator CURTIS. Name them.

Mr. DONEGAN. Mr. Baker and Mr. Hancock and Mr. Tucker.

Mr. McLENDON. You started out by saying you feel morally obligated. Finish your sentence now.

Mr. DONEGAN. I feel that a commission is due on the account. I primarily feel the reason why our company is in there is because of the fact that Gene Hancock did act as a "finder," to use a term, in bringing us into this account.

Mr. McLENDON. Was the agreement made by you and Sabella and Tucker and Hancock that the \$1 was to be paid to that group?

Mr. DONEGAN. No; there never was an agreement.

Mr. McLENDON. Why haven't you paid Hancock?

Mr. DONEGAN. Why haven't we paid Hancock?

Mr. McLENDON. Yes; why haven't you paid him?

Mr. DONEGAN. Frankly, on advice of our legal counsel.

Mr. McLENDON. And this happened in August 1963, did it not?

Mr. DONEGAN. Yes.

Mr. McLENDON. The contract is dated September 17; isn't it?

Mr. DONEGAN. I have never really seen the contract.

Mr. McLENDON. Do you have a copy before you?

Mr. DONEGAN. I have never seen it.

Mr. McLENDON. You have never seen the contract?

Mr. DONEGAN. I have never seen the contract.

Mr. McLENDON. Is it true that you haven't paid this \$1 to anybody because of this investigation?

Mr. DONEGAN. No; I don't think that is really correct.

Mr. McLENDON. What is the explanation?

Mr. DONEGAN. The best way I can describe it and I think explain it, and I think Mr. Sabella can amplify this much better than I, but we were told how much money we were going to have to pay and it kind of stopped right there.

Mr. McLENDON. Was there any agreement as to how the \$1 was to be divided?

Mr. DONEGAN. No, sir.

Mr. McLENDON. None at all?

Mr. DONEGAN. None at all.

Mr. McLENDON. So if it was paid to Hancock, he could distribute it as he pleased; is that correct?

Mr. DONEGAN. He could have; yes.

Mr. McLENDON. Mr. Donegan, Mr. Hancock has testified that you and Mr. Sabella told him that he was entitled to a finder's fee and then refused to pay it upon the advice of your counsel; is that correct?

Mr. NUSSBAUM. Could we see that testimony, Mr. McLendon?

Mr. McLENDON. I haven't got it here. I am repeating it to you. I will restate the question. Mr. Hancock has testified before the committee that he felt that he is entitled to a finder's fee, and that some of the officers of Interstate, maybe you and Mr. Sabella, thought so also, but you refused to pay him on account of this investigation.

Mr. DONEGAN. I think I can only speak for myself. I can speak only for myself.

Mr. McLENDON. All right.

Mr. DONEGAN. I don't think that that is an incorrect statement. I personally as an individual feel that Mr. Hancock is entitled to receive a commission or remuneration for his part in our acquiring the Melpar account.

Mr. McLENDON. It was part of your agreement with Hancock that, in the event your company got the contract, you would take about \$86,000 worth of machines off his hands that at that time were stored in Maryland?

Mr. DONEGAN. That became a part of it; yes.

Mr. McLENDON. And your company did buy them, did they not?

Mr. DONEGAN. Yes; we did.

Mr. McLENDON. Do you remember to whom the payment was made by your company?

Mr. DONEGAN. I wasn't again directly involved in that. A firm known as Bush International in Miami.

Mr. McLENDON. I didn't get the name.

Mr. DONEGAN. Bush International.

Mr. McLENDON. Bush International?

Mr. DONEGAN. Bush International. They are a division of Rowe.

Mr. McLENDON. Does that mean that Mr. Hancock had bought them from the manufacturer Rowe—R-o-w-e—and hadn't paid for them and your company just took over his contract?

Mr. DONEGAN. I can't frankly answer that. I really don't know what his arrangements were.

Mr. McLENDON. You do know that Interstate took the machines?

Mr. DONEGAN. Yes; I do.

Mr. McLENDON. And Hancock told you that they had been bought and placed there in contemplation of Serv-U getting the contract from Melpar?

Mr. DONEGAN. He, frankly, as I recall, never said that, but I don't wish to draw a wrong assumption. I naturally assumed that.

Mr. McLENDON. Was the contract between Hancock and your company, which you described as an option, was that ever exercised?

Mr. DONEGAN. No; it wasn't.

Mr. McLENDON. And it is out of date now?

Mr. DONEGAN. Yes.

Mr. McLENDON. Expired. Did you have knowledge that Mr. Tucker and Mr. Baker both attended a conference at Melpar when your proposal, your cost proposal, was under discussion, and that they were there as representatives of your company?

Mr. DONEGAN. No; I did not.

Mr. McLENDON. You learned later of that; did you not?

Mr. DONEGAN. I don't know that I really know that to be a fact at this point. I don't know that to be a fact.

Mr. McLENDON. You heard it, didn't you; you heard that they did? Did you talk to Mr. Weid about it?

Mr. DONEGAN. I spoke to Mr. Weid about it when I was down to survey the plant. I haven't spoken to him since.

Mr. McLENDON. And they brought back—Tucker and Baker did—a suggestion for changes in Mr. Sabella's proposal, did they not?

Mr. DONEGAN. I understand that is what happened.

Mr. McLENDON. And then Mr. Sabella rewrote the proposal; did he not?

Mr. DONEGAN. It was a case of rewriting the proposal or what; I really don't know.

Mr. McLENDON. He knows more about it?

Mr. DONEGAN. He knows a great deal more about it than I do.

Mr. McLENDON. He knows more about that than you do?

Mr. DONEGAN. A great deal.

Mr. McLENDON. What I am interested in knowing, though, is when did you find out that Tucker and Baker attended a meeting at Melpar and, when asked if they could speak for your company, they spoke up and said they could? When did you find that out?

Mr. DONEGAN. The only way I think I can answer that is to say I think I heard that last night in a discussion here, but that is the first I have ever heard of it.

Mr. McLENDON. The first you ever heard of that. So if they were down there speaking for your company you hadn't authorized them to do that?

Mr. DONEGAN. That is correct. They weren't representing our company.

Mr. McLENDON. You said earlier in your testimony that you thought from what Tucker and Baker said that they had authority to speak for Melpar, didn't you?

Mr. DONEGAN. It would strike me in my negotiations with them that they were acting as brokers almost for the Melpar Co.

Mr. McLENDON. And you got that impression from conversations with them about the details of the operations at Melpar? In other words, you gathered from conversations with them that they knew about the details of the vending-machine operations at Melpar?

Mr. DONEGAN. To the extent that they knew that the existing arrangements in Melpar were not satisfactory to the company. As

far as them knowing the financial arrangements, I am not so sure that I got that from them.

Mr. McLENDON. What statement did either Tucker or Baker make to you that they—either one of them or both of them—could get the Melpar contract?

Mr. DONEGAN. They didn't.

Mr. McLENDON. Did they indicate they could?

Mr. DONEGAN. No. The only indication was, after I surveyed the plant, which they had set up the appointment for me to do, that I would have to first submit my findings and my recommendations as to how we would operate this food service and vending down there to them, and subject to meeting with their approval, I would then, so to speak, be allowed the opportunity of presenting it to Melpar, who would make the decision as to whom they would take. But I know almost from the beginning that we had a competitor, at least one competitor, in against us on it.

Mr. McLENDON. Did you ever find out what your competitors' proposal was?

Mr. DONEGAN. No; I didn't.

Mr. McLENDON. You did not?

Mr. DONEGAN. No.

Mr. McLENDON. Do you know whether it was as good as yours or better?

Mr. DONEGAN. I was led to believe that it was better than mine financially.

Mr. McLENDON. In terms of dollars?

Mr. DONEGAN. In terms of dollars.

Mr. McLENDON. That is to say that you found out later that your competitor's proposal in terms of amount that would be paid to Melpar was more than you had proposed to pay to Melpar?

Mr. DONEGAN. If you mean later after it was awarded; no. I knew at the time the contract was negotiated.

Mr. McLENDON. You knew at the time. Is it true that your competitor was going to guarantee a minimum of \$50,000 a year?

Mr. DONEGAN. I never heard that. I never heard a figure. I asked on a couple of occasions because, frankly, it seems hard to me to understand how anyone could have outbid us on that particular job, and so I specifically asked by how much had we been outbid and I never received an answer other than saying, "Let me tell you, you are outbid."

Mr. McLENDON. Did you consult with Mr. Sabella before your company's proposal was made about a minimum guarantee?

Mr. DONEGAN. No; I did not.

Mr. McLENDON. You can't inform the committee how that was arranged?

Mr. DONEGAN. Now, I didn't know it was arranged or discussed.

Mr. McLENDON. Was any explanation ever made to you by Mr. Baker himself of his interest in this Melpar vending-machine operation?

Mr. DONEGAN. I am sorry; would you repeat that?

Mr. McLENDON. I say, was there any explanation ever made to you by Baker himself about his interest in the Melpar vending-machine operations?

Mr. DONEGAN. None that I can recall.

Mr. McLendon. Did you ever make an agreement with Scotty Peek?

Mr. Donegan. No; we never reached an agreement.

Mr. McLendon. Did you ever meet with him?

Mr. Donegan. Yes; I did.

Mr. McLendon. Where?

Mr. Donegan. In Chicago.

Mr. McLendon. How was that arranged?

Mr. Donegan. It was arranged—if my memory serves me, I believe it was arranged at the time that I spoke with him on the phone from Mr. Tucker's office, that I had agreed to meet him some days later in Chicago, and he came into Chicago with Mr. Hancock.

Mr. McLendon. Is it correct that in negotiations with Hancock under your option agreement with him when they were terminated that you no longer had any interest in employing Peek?

Mr. Donegan. When our option ran out we determined that we were not going to purchase the company; we really wouldn't have an interest in Mr. Peek.

Mr. McLendon. And the reason for that was on Hancock's operations you would have taken over the Florida operations.

Mr. Donegan. That is right.

Mr. McLendon. And Mr. Peek had been recommended by Baker that he would be a good man to operate it.

Mr. Donegan. He was recommended by Mr. Hancock as a good man for the Florida situation. I think Mr. Baker's situation in it was only that he knew him personally well.

Mr. McLendon. I gather that, from what you said earlier, Baker was going to use his influence with Scotty Peek to bring you and Peek together on an agreement; is that right?

Mr. Donegan. No; I don't think so, sir.

Mr. McLendon. Which one was the helper? Was Baker helping you to make the contract with Peek or was he helping Peek to make the contract with you?

Mr. Donegan. I suppose that he was helping Peek to make a contract with us.

Mr. McLendon. All right. How long had you known Baker?

Mr. Donegan. Since I had never met him before, about a half hour at that time.

Mr. McLendon. That is all, Mr. Chairman.

Senator Cannon. I have no questions.

Senator Pell. No questions.

The Chairman. Senator Curtis.

Senator Curtis. Who told you that you were outbid at Melpar?

Mr. Donegan. Mr. Tucker told me I was outbid.

Senator Curtis. How did he know?

Mr. Donegan. He also, I would say, was the collection point for the other company turning in their proposal.

Senator Curtis. Who was the other company?

Mr. Donegan. As I was told, it was Gladio.

Senator Curtis. Who told you it was Gladio?

Mr. Donegan. Mr. Tucker. I am not quite sure—

Senator Curtis. Did you ever see anyone from Gladio around Tucker's office or at Melpar?

Mr. DONEGAN. No; I didn't.

Senator CURTIS. Did you ever see their bid?

Mr. DONEGAN. No; I did not.

Senator CURTIS. Do you know whether they made a bid?

Mr. DONEGAN. No; I don't for certain.

Senator CURTIS. All you have for it is that Tucker said that they had made a better bid?

Mr. DONEGAN. Mr. Baker also commented about their bid.

Senator CURTIS. Mr. Baker. Did anybody connected with Melpar ever tell you that Gladio made a bid that was better than yours?

Mr. DONEGAN. I believe if I am correct in my memory that it was Mr. Marsh who had told me that a representative of Gladio—in fact I think he mentioned Virgil Gladio himself—had come through the plant, had walked through very fast, worked on the back of an envelope and come up with his projections.

Senator CURTIS. Did he say when that was?

Mr. DONEGAN. I am sure it would have had to have been within—no; he didn't say when it was.

Senator CURTIS. When did you have your attention directed to Melpar with reference to the time that Capitol Vending was notified that they were—

Mr. DONEGAN. I am sorry, sir?

Senator CURTIS. When were you first called into conversation about Melpar with respect to the time that Capitol had been told that they were going to lose the contract? Capitol Vending?

Mr. DONEGAN. Capitol was operating the account when I surveyed it.

Senator CURTIS. They were?

Mr. DONEGAN. So that it was prior to that time.

Senator CURTIS. Had they been notified they were going to lose it?

Mr. DONEGAN. I don't know, sir; not to my knowledge.

Senator CURTIS. Did anybody tell you that the Melpar contract was available to somebody?

Mr. DONEGAN. Yes; they did.

Senator CURTIS. Who did?

Mr. DONEGAN. Mr. Hancock, the first evening in Washington.

Senator CURTIS. Who else?

Mr. DONEGAN. Then the next morning when I met with Mr. Baker and Mr. Tucker.

Senator CURTIS. Which one of them said it?

Mr. DONEGAN. Well, the whole course of the evening was talking about coming up with a better food service arrangement and vending arrangement for the Melpar account. I think I might add here, sir, that one of the things which brought that up was that their food service was in particular trouble in that account and that to the extent that the then current operator was not satisfied with his arrangement there, and had terminated his services.

Senator CURTIS. Specifically do you remember what Baker said?

Mr. DONEGAN. No, sir.

Senator CURTIS. You met the night before. Was Tucker present?

Mr. DONEGAN. Yes. No; not the night before.

Senator CURTIS. The night meeting was with Hancock.

Mr. DONEGAN. Yes; that was my first night in Washington.

Senator CURTIS. And the next morning both Baker and Tucker were there?

Mr. DONEGAN. Right.

Senator CURTIS. Did anyone tell you why Peek was present?

Mr. DONEGAN. Mr. Hancock had made a call that previous evening, so that I might meet Mr. Peek and speak to him about Scotty Peek.

Senator CURTIS. Now, when the conversation moved to Melpar, what did Baker say?

Mr. DONEGAN. He said, or the group said, if I may, because I am not sure exactly who said it, but after I told them that I felt the package which had been put together for them could be improved upon, and requested that my company be allowed to come in as quickly as possible and run a survey and submit our recommendations to them, it struck them as a group with enough interest that a phone call was made and an arrangement was made for me to come in and survey the plant on the following Monday.

Senator CURTIS. At that meeting that morning whom did Baker and Tucker represent?

Mr. DONEGAN. I would say they represented themselves.

Senator CURTIS. They represented themselves. Why did Tucker go to New York?

Mr. DONEGAN. I don't know why he went to New York.

Senator CURTIS. You met him up there?

Mr. DONEGAN. Yes; he came up with Mr. Marsh of Melpar.

Senator CURTIS. You don't know whom he represented?

Mr. DONEGAN. I have used the term previously that he is in my terminology someone that was acting in the category of a broker, and that he had made the arrangements for us to take the Melpar people through some of our operations and I had understood he had made them also to take the Melpar people through the Gladio operations.

Senator CURTIS. This \$1, this additional commission that you were able to pay, would that have been eligible for brokerage fees?

Mr. DONEGAN. Yes, sir.

Senator CURTIS. How much would that amount to now? You say it hasn't been paid. How much would it amount to presently?

Mr. DONEGAN. I really couldn't give you a figure. I think when Mr. Sabella comes up he can give you an estimate since he operates the job, if you are interested in an estimate.

Senator CURTIS. Yes; I am interested.

Mr. DONEGAN. I say I think that Mr. Sabella, since he operates the job, could give you an estimate.

Senator CURTIS. It would be \$1 per employee?

Mr. DONEGAN. That is correct.

Senator CURTIS. I asked Mr. Bostick how many employees he has. It has been running from 4,000 to 6,000.

Mr. DONEGAN. If that is the figure he said—

Senator CURTIS. Is this \$1 per employee per year?

Mr. DONEGAN. Per employee per year.

Senator CURTIS. Per employee per year.

Mr. DONEGAN. Right.

Senator CURTIS. Do you still have the account?

Mr. DONEGAN. Yes, sir.

Senator CURTIS. Now, as a matter of fact, Baker and Tucker were to get part of this dollar; weren't they?

Mr. DONEGAN. They never told me to whom I was to pay the commission moneys to.

Senator CURTIS. But they appeared in the role of broker.

Mr. DONEGAN. I would say yes.

Senator CURTIS. Now, you mentioned that at an earlier time you made an unsuccessful attempt to get at Melpar. About when was that?

Mr. DONEGAN. Back in 1961, I think; 1962—in that area.

Senator CURTIS. Were Tucker and Baker brokers then?

Mr. DONEGAN. No. I didn't know them then.

Senator CURTIS. You didn't know them. I don't want to misquote you, but I understood you to say fairly early in your testimony that you were made to understand that Baker was practically or almost commissioned to get a company, a vending company, to serve Melpar. Is that about what you said?

Mr. DONEGAN. I think I probably did say that. I think that is the way it appeared to me.

Senator CURTIS. Who caused you to understand that?

Mr. DONEGAN. I would say Mr. Hancock.

Senator CURTIS. Now, when you visited Melpar, was anything said about Capitol Vending who was then serving them?

Mr. DONEGAN. Not a thing was said about—well, that is not quite correct, thinking back on it. Mr. Marsh mentioned that service hadn't always been what it might be.

Senator CURTIS. I think that is all.

The CHAIRMAN. Senator Cooper.

Senator COOPER. Mr. Chairman, I must leave to go to a meeting of the President's Commission, but I would like first to ask a few questions. Mr. Donegan, when you came to Washington did you have in mind bidding on the Melpar business?

Mr. DONEGAN. No; I didn't.

Senator COOPER. You came only to see Mr. Hancock about the possibility of buying a company in which he was interested?

Mr. DONEGAN. Yes; I did. I did come to see Mr. Hancock to talk about Scotty Peek. I did know in coming that—

Senator COOPER. You didn't have in mind the Melpar business?

Mr. DONEGAN. Well, to the extent that Mr. Hancock had been in Chicago in our offices a day or so before, and he had mentioned to one of our people there that the Melpar account was up and when he was set up that I was going to come down and talk to him, about Scotty Peek, he was told by one of our members, "Why don't you ask Don his opinion as to what you put together?" And so I was told to be of whatever help I could to Gene in advising him as to the type of deal that he put together.

Senator COOPER. Did you talk to Mr. Hancock in Chicago?

Mr. DONEGAN. Pardon me?

Senator COOPER. Had you talked to Mr. Hancock in Chicago?

Mr. DONEGAN. No; I did not.

Senator COOPER. When you first saw Mr. Hancock in Washington, he suggested that you meet Mr. Baker?

Mr. DONEGAN. When Mr. Peek wasn't available he made a phone call and arranged it.

Senator COOPER. Then when you saw Mr. Baker the next morning he made arrangements for you and Mr. Sabella to visit Melpar?

Mr. DONEGAN. I don't know whether it was Mr. Baker or Mr. Tucker; one of the two.

Senator COOPER. How long after your visit to Melpar was it that you had concluded a contract with Melpar?

Mr. DONEGAN. It was a few weeks.

Senator COOPER. What?

Mr. DONEGAN. It was a few weeks.

Senator COOPER. When did you agree on the figures—how long after you first visited Melpar?

Mr. DONEGAN. I really can't answer that.

Senator COOPER. The next day? The second day? Was it during the time of the first visit to Washington?

Mr. DONEGAN. That the figures—

Senator COOPER. Yes; that you worked up.

Mr. DONEGAN. The \$7 payment?

Senator COOPER. Yes; upon which you reached agreement.

Mr. DONEGAN. As far as how much money would be available, it was done the very day we made the survey of the plant.

Senator COOPER. You prepared your plan, and you reached an agreement on the first day you went to Melpar?

Mr. DONEGAN. I am sorry; I didn't catch the question.

Senator COOPER. You said you went out to Melpar and you met Mr. Marsh.

Mr. DONEGAN. And Mr. Weid.

Senator COOPER. Now were you able to agree that day upon the plans that you and Mr. Sabella presented to Melpar? Were you able to agree with Melpar on that same day?

Mr. DONEGAN. We didn't discuss with Melpar that day any financial terms with them. We just gathered information.

Senator COOPER. You didn't complete the transaction that day?

Mr. DONEGAN. Not at all.

Senator COOPER. Out of the \$8 that you finally agreed upon, how much of that went to Melpar—what part of the \$8?

Mr. DONEGAN. I understand \$7, sir.

Senator COOPER. \$7. Do you know that?

Mr. DONEGAN. There is a contract, but I have never, frankly, seen that contract.

Senator COOPER. Was it agreed that \$4 out of the \$8 would go to Melpar?

Mr. DONEGAN. It was suggested at one point.

Senator COOPER. The \$4—

Mr. DONEGAN. Yes, sir.

Senator COOPER. Was it finally agreed upon that the \$4 per employee would go to Melpar?

Mr. DONEGAN. It was recommended to—when I told the people there was \$8 available—and by the people I mean Mr. Hancock, Mr. Baker, and Mr. Tucker—there was \$8 available, I recommended to them that they could, based on the type of job we were going to come in and offer as compared to what they had, I felt to do justice to all the situations involved by offering a return of \$4 per employee per year to the Melpar Co.

Senator COOPER. Do you know that that is the amount Melpar receives, \$4 per employee per year?

Mr. DONEGAN. No. I happen to know differently.

Senator COOPER. What do you know?

Mr. DONEGAN. They receive \$7 per employee per year, I understand.

Senator COOPER. They do receive \$7?

Mr. DONEGAN. Right. I would just state again I have, frankly, never seen the contract.

Senator COOPER. Do you know whether Melpar retained \$7 per employee per year?

Mr. DONEGAN. Whether they retained it?

Senator COOPER. Or do they retain \$4 of the \$8?

Mr. DONEGAN. I don't know for a fact. I am quite sure—

Mr. NUSSBAUM. Excuse me, Senator; I don't believe that Mr. Donegan testified that there was \$8. It was a payment of \$7 I thought his testimony was. Your question was, Does he know how much Melpar retains out of the \$8?

Senator COOPER. I think this is a correct line of inquiry. The contract, as finally agreed upon, was that a commission of \$8 per employee per year would be paid to Melpar; is that correct?

Mr. DONEGAN. No, sir.

Senator COOPER. \$7?

Mr. DONEGAN. What my part of it was is that—

Senator COOPER. Just what you know. I mean if you know this, you know it. If you don't, say you don't.

Mr. DONEGAN. Frankly I have never seen that document that you have. I only know for my part that I recommended that there was \$8 available for commissions.

Senator COOPER. In this meeting that you and Mr. Sabella had—and I believe you were also consulting with Tucker and Hancock—you worked up a plan, you and Mr. Sabella, and agreed that there was to be a \$7 or \$8 commission per person. Did you know anything about these figures—the commission of \$8 or \$7?

Mr. DONEGAN. I knew about the \$8, but frankly I didn't know about the \$7.

Senator COOPER. What did you know about \$4 that would be paid to Melpar? Did you know about that?

Mr. DONEGAN. To the extent that that was my recommendation to the group—being Mr. Hancock, Mr. Baker, Mr. Tucker—that there was \$8 available for commissions and I felt that they could pay \$4 to Melpar and do justice to Melpar and that there was \$4 left as additional commission dollars.

Senator COOPER. To whom was the \$4 to be available for fees and commissions?

Mr. DONEGAN. I wasn't told at that time, and I thoroughly expected to be told at some time in the future, but there was no mention made that I was to pay \$4 to one person or to a group or to the XYZ company. It was a situation where I presented the situation thoroughly expecting to be told.

Senator COOPER. You say you don't know what finally happened as far as the distribution of the money is concerned. But am I correct in saying that you discussed this and that you recommended that \$4 per employee per year could be paid Melpar, and that the remain-

ing \$4—or \$3 as you thought, making \$7—could then be distributed by someone for fees and commissions? Is that correct?

Mr. DONEGAN. That is correct.

Senator COOPER. Then the point is, who was to distribute that \$3 or \$4? I haven't got it clear who was to distribute it. Was your company to distribute it, or was Melpar to distribute it?

Mr. DONEGAN. No; I would say that our company was to distribute it.

Senator COOPER. Your company was to distribute it.

Mr. DONEGAN. Based upon receiving information as to whom it would be distributed to.

Senator COOPER. Then am I correct in asking if you know what your company is now paying Melpar per employee per year? Do you know? Is it \$4?

Mr. DONEGAN. I haven't seen the final contract, but from all the discussions with you that have taken place here and which I have had subsequently I would assume that it is \$7. I haven't seen the contract. It is a matter of record.

Senator COOPER. You don't know whether \$1 per employee is being retained and is paid to someone, or whether \$4 per employee is being retained to be paid to some person or persons for a commission?

Mr. DONEGAN. I know \$4 isn't being retained.

Senator COOPER. What?

Mr. DONEGAN. I know \$4 isn't being retained because there was only \$8 to begin with.

Senator COOPER. You think, then, that whatever is to be paid it would be only \$1 per employee per year?

Mr. DONEGAN. I happen to feel that Mr. Hancock is entitled to \$1 at this point, that being what is left, remaining.

Senator COOPER. Did Mr. Baker or Mr. Hancock or Mr. Tucker ever suggest to you in any way or say anything that made you believe that \$1 was to be paid to them? Was there any kind of an understanding about it?

Mr. DONEGAN. No; there really wasn't any understanding.

Senator COOPER. What?

Mr. DONEGAN. No; there really wasn't.

Senator COOPER. This dollar was just hanging up for further discussion?

Mr. DONEGAN. Well, I wasn't in on the dollar discussion, but I was in on the discussions with these gentlemen, and there was no direct discussion as to whom the moneys were going to be paid.

Senator COOPER. That is all.

Senator CURTIS. Has anyone ever asked you for the dollar?

Mr. DONEGAN. I guess Mr. Hancock has.

Senator CURTIS. Has anybody else?

Mr. DONEGAN. No.

Senator CURTIS. Has anybody told you not to pay it to Mr. Hancock?

Mr. DONEGAN. Yes.

Senator CURTIS. Who has?

Mr. DONEGAN. Our legal counsel.

Senator CURTIS. No; I mean any other claimant.

Mr. DONEGAN. Oh, no; no, sir. Not that I know of; not to me personally.

Senator CURTIS. When would the first payment have been made? When did you make the first payment to Melpar?

Mr. DONEGAN. I really don't know, sir. Under that type of fiscal arrangement they would be paid every 4 weeks one-thirteenth of the \$8.

Senator CURTIS. It is computed every 4 weeks?

Mr. DONEGAN. Yes; that is right.

Senator CURTIS. You don't know when the first payment started?

Mr. DONEGAN. No; I don't.

Senator CURTIS. When did the service start?

Mr. DONEGAN. I don't know the exact date. Mr. Sabella——

Senator CURTIS. The contract was made September 17.

Mr. DONEGAN. That isn't the date we commenced service. I think we commenced service late in September as I recall.

Senator CURTIS. Late in September. So the first payment to Melpar would have been late in October?

Mr. DONEGAN. Well, barring a certain amount of time for accounting, I would say that.

Senator CURTIS. Did this investigation start before there had been any payment made under this contract?

Mr. DONEGAN. I don't really know when the investigation started, Senator.

Senator CURTIS. Mr. Baker resigned October 7. You hadn't run a month then.

Mr. DONEGAN. No; but we were in operation.

Senator CURTIS. By this investigation I——

Mr. DONEGAN. I believe we were in operation. You can check that with Mr. Sabella. He had the operating responsibility. He can tell you.

Senator CURTIS. At least some of the facts were made public on which this investigation later proceeded before you had made any payment to Melpar?

Mr. DONEGAN. I really don't know, sir. I am not involved in that end of our business.

Senator CURTIS. It speaks for itself. That is all, Mr. Chairman.

Senator CANNON. Mr. Donegan, actually there had been a lawsuit placed on file, a civil suit involving this contract which you now hold at Melpar, had there not, at that time?

Mr. DONEGAN. At the time we started——

Senator CANNON. At the time there would have come any payments due pursuant to your contract or pursuant to your understanding in relation to a finder's fee, wasn't there in effect or in fact a lawsuit on file involving this particular contract?

Mr. DONEGAN. I am sure I have known the correct dates at the time, and my recollection would be that your timing is correct. I think there was a lawsuit by the time that we had completed our installation there. I know I have known that for a definite fact at one time but it is not clear now.

Senator CANNON. Your testimony is that you have made payments to nobody of that difference between the \$7 and the \$8 which you feel you were to pay in commissions either to Melpar or a finder which you have defined.

Mr. DONEGAN. To the very best of my knowledge I believe that to be correct.

Senator CANNON. Have you made any payments to Mr. Baker at any time?

Mr. DONEGAN. No, sir.

Senator CANNON. Have you made any payments to any other officer or employee of the Senate as far as you know?

Mr. DONEGAN. No; not as far as I know.

Senator CANNON. And your entire transactions with Mr. Baker are what you have testified to here today?

Mr. DONEGAN. Yes; it is.

Senator CANNON. No further questions.

Senator PELL. Were payments made to Mr. Baker out of this commission dollar?

Mr. DONEGAN. No; they have not been.

Mr. McLENDON. Mr. Donegan, who paid Mr. Hancock's expenses?

Mr. NUSSBAUM. Which expenses are you referring to?

Mr. McLENDON. Mr. Hancock's expenses, while he was in Washington negotiating with you.

Mr. NUSSBAUM. May I consult with the witness very briefly because of the nature of the question?

Mr. McLENDON. Don't tell him what to answer as to the fact. As far as the law—

Mr. NUSSBAUM. Your question has to do with who paid his expenses.

Mr. McLENDON. Yes, sir.

Mr. NUSSBAUM. On what date, Mr. McLendon?

Mr. McLENDON. For the time he was in Washington while all these negotiations were going on that this witness has testified about.

Mr. DONEGAN. Pertaining to Mr. Peek and the Melpar situation?

Mr. McLENDON. Yes.

Mr. DONEGAN. I received an expense account from Mr. Hancock which I authorized for payment and it was paid by the company.

Mr. McLENDON. Paid by your company?

Mr. DONEGAN. Yes, sir.

Mr. McLENDON. That is all.

Senator CURTIS. Who paid Tucker's expenses in New York?

Mr. DONEGAN. I believe he must have paid his own, sir.

The CHAIRMAN. No further questions. The witness may be excused.

Mr. DONEGAN. I didn't pay them.

The CHAIRMAN. The witness may be excused. Thank you, gentlemen.

Mr. McLENDON. Mr. Sabella.

The CHAIRMAN. Mr. Sabella, will you please rise and place your left hand on the Bible and hold up your right hand?

Do you solemnly swear that the evidence you are about to give before this committee in the matter under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SABELLA. I do.

The CHAIRMAN. Thank you, sir. Have a seat.

Mr. McLENDON. Mr. Sabella, what position did you have with the Interstate Vending Co. in August 1963?

TESTIMONY OF KENNETH J. SABELLA, ACCOMPANIED BY
BERNARD J. NUSSBAUM, COUNSEL

Mr. SABELLA. I was area vice president with the Interstate Vending Co.

Mr. McLENDON. Where was your office?

Mr. SABELLA. At 641 Farmington Avenue, in Hartford, Conn.

Mr. McLENDON. I forgot to ask you; will you give the reporter your full name and your residence address?

Mr. SABELLA. My name is Kenneth Joseph Sabella. I reside at 74 Bainbridge Road, West Hartford, Conn.

Mr. McLENDON. Is counsel with you today?

Mr. SABELLA. Pardon?

Mr. McLENDON. Your counsel; is he with you today?

Mr. SABELLA. Yes, sir; he is.

Mr. McLENDON. Will you state your name and address?

Mr. NUSSBAUM. Bernard J. Nussbaum, 77 West Washington Street, Chicago, Ill.

Mr. McLENDON. Mr. Sabella, did you receive a telephone call from Mr. Donegan about the 19th of August 1963, asking you to come to Washington?

Mr. SABELLA. Yes; I did.

Mr. McLENDON. What did he tell you he wanted you to come for?

Mr. SABELLA. To make a survey at the Melpar operation pursuant to making a proposal.

Mr. McLENDON. Was that the first time that you had heard that there was a possibility of your company doing business with Melpar?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. Did you come to Washington as a consequence of that telephone call?

Mr. SABELLA. Yes; I did.

Mr. McLENDON. When you got here, what did Mr. Donegan tell you about the Melpar situation?

Mr. SABELLA. On the telephone?

Mr. McLENDON. When you got to Washington.

Mr. SABELLA. Oh, when I got to Washington?

Mr. McLENDON. What did he tell you?

Mr. SABELLA. Well, we went right out to the plant from there and he told me that we had the opportunity to bid on it. We were to survey it. This was my function, to survey it to see how we would propose it.

Mr. McLENDON. What did he say as to how he had managed to get the opportunity to bid? Who arranged it for him?

Mr. SABELLA. He didn't mention this at this time to me.

(At this point, Senator Scott entered the hearing room.)

Mr. McLENDON. After you went out to visit the plant, did he tell you?

Mr. SABELLA. My recollection is that I discussed this with him on that evening; yes, during the evening we discussed it.

Mr. McLENDON. This is the night of the same day that you visited the plant?

Mr. SABELLA. Yes.

(At this point, Senator Cooper withdrew from the hearing room.)

Mr. McLENDON. Who was present?

Mr. SABELLA. At that meeting was Mr. Tucker, Mr. Hancock, Mr. Donegan, and myself.

Mr. McLENDON. And did you find out then that Mr. Hancock and Mr. Tucker had an interest in this contract?

Mr. SABELLA. Yes.

Mr. McLENDON. What did they tell you?

Mr. SABELLA. It is not so much what Mr. Tucker told me. It was in the course of conversation that I believed him to have an interest in this account.

Mr. McLENDON. Just what was his interest?

Mr. SABELLA. I believe that he was representing Melpar.

Mr. McLENDON. Who?

Mr. SABELLA. Ernest Tucker.

Mr. McLENDON. Did he tell you what his connection with Robert Baker was?

Mr. SABELLA. No; he didn't.

Mr. McLENDON. How did he tell you that he represented Melpar? What did he say?

Mr. SABELLA. He didn't tell me. I came into the room and the discussion was going on, as I recall, and we started to discuss the figures. We hadn't gotten into what his particular connection was with it at that time.

Mr. McLENDON. Well, you don't talk to people about a business unless they have some interest in it. Can't you tell the committee what interest Tucker had in it?

Mr. SABELLA. At that particular time, I only know that he had an interest in it. I was there to survey the job, sir.

Mr. McLENDON. What sort of interest?

Mr. SABELLA. That he was representing Melpar, as far as we were concerned.

Mr. McLENDON. All right, and did you agree with him what the proposal would be to Melpar?

Mr. SABELLA. We discussed what our financial arrangements could be.

Mr. McLENDON. What were they?

Mr. SABELLA. We could afford \$8 per employee per year and still operate the job as it should be operated.

Mr. McLENDON. That was \$8 to be paid to Melpar?

Mr. SABELLA. \$8 that was available to be paid.

Mr. McLENDON. To be paid. That would be paid into a fund to be distributed among those who helped you find the job?

Mr. SABELLA. No. It is simply \$8 that is available as commission or payment to whomever is designated.

Mr. McLENDON. That wasn't to be paid to Melpar, then, was it?

Mr. SABELLA. It could have been or not as Mr. Tucker who was representing Melpar saw fit at the time.

Mr. McLENDON. Did you tell Mr. Tucker to negotiate with Melpar on whether it would be \$8 or less than \$8?

Mr. SABELLA. No, sir.

Mr. McLENDON. Did he?

Mr. SABELLA. I don't know, sir.

Mr. McLENDON. Who reported to you that Melpar had agreed on a \$7 basis?

Mr. SABELLA. There was no report that Melpar had agreed to a \$7 figure. There was a telephone call from Mr. Tucker to myself telling me to include the figure \$7 in the contract that I was to send to Melpar.

Mr. McLENDON. To include the figure \$7 instead of \$8?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. What was to become of the difference between the \$8 and \$7?

Mr. SABELLA. That wasn't told to me, sir.

Mr. McLENDON. You mean that was a secret that nobody knew?

Mr. SABELLA. Let me back up a little. No; it wasn't a secret.

Mr. McLENDON. What I am trying to find out is what has become of that extra \$1

Mr. SABELLA. That I don't know. We, as indicated before—\$8 was the figure we could afford. When he said to put in the figure \$7, I did.

Mr. McLENDON. And you would still make your regular profit over and above the \$7 or the \$8, as the case might be?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. Who agreed on the \$7 representing your company?

Mr. SABELLA. I did.

Mr. McLENDON. And did you write a proposal to Mr. Weid of Melpar including the \$7 per person?

Show him this.

Mr. NUSSBAUM. Mr. McLendon, you have handed Mr. Sabella a letter from Mr. Sabella to Mr. A. C. Weid, executive vice president of Melpar, Inc., dated September 19, 1963.

Mr. McLENDON. Did you write that letter?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. Did you propose in that letter to pay \$7?

Mr. SABELLA. In this letter, I did; yes, sir.

Mr. McLENDON. Was that followed by a written contract later that was signed by the Melpar Co. and your company?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. What is the name of your company which signed this contract?

Mr. SABELLA. The Brass Rail Food Services, Inc.

Mr. McLENDON. Is it a wholly owned subsidiary?

Mr. SABELLA. Of Interstate, yes.

Mr. McLENDON. I beg your pardon?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. Mark that proposal, Mr. Reporter.

Mr. NUSSBAUM. Did you want this letter of September 19 marked?

Mr. McLENDON. Yes.

(The document referred to was marked "Sabella Exhibit 1," and is as follows:)

SABELLA EXHIBIT 1



• THE BRASS RAIL FOOD SERVICES •

REPLY TO • CONTRACT FOOD MANAGEMENT • 641 FARMINGTON AVENUE • HARTFORD, CONNECTICUT • TELEPHONE 232-4417

September 19, 1963

Mr. A. C. Weid
Executive Vice President
Melpar, Inc.
3000 Arlington Boulevard
Falls Church, Virginia

Dear Mr. Weid:

I am in receipt of your contract and in conversation with Brandon Marsh, I indicated that the \$25,000 guarantee was actually inherent in the \$7 per person per year guarantee which we are paying you, based upon employment.

If your employment stayed at its present level, I would have no objection to the \$25,000 guarantee, but if it should decrease by 1000 people, it would become a great financial burden to us. I would suggest, therefore, that this clause be dropped.

To clarify guarantee payment, based upon your employment, I think it perfectly reasonable to accumulate your parttime employee hours so that each additional 40 hours of employment represent one person in our guarantee; therefore, if you have two parttime employees working 20 hours each per week, this will represent one full time employee for computation purposes.

The other stipulation concerning our \$1000 liability is in agreement with our understanding.

If the above conditions are agreeable to you, would you please have a new contract drawn to this effect.

We are looking forward to providing a fine food and vending service for your employees in which you can take pride.

Sincerely,

BRASS RAIL FOOD SERVICES, INC.

Kenneth J. Sabella b01
Vice President

KJS/bol Enc.

A DIVISION OF INTERSTATE VENDING COMPANY



Mr. McLendon. I show you a copy of the contract. Is that a copy that was signed?

Mr. Sabella. This is not an original.

Mr. McLendon. It is a photostatic copy; isn't it?

Mr. Sabella. As far as I can see, it looks as if it is a true copy.

Mr. McLendon. It came from your files; didn't it?

Mr. Sabella. Yes, sir. This is a copy.

Mr. Nussbaum. Did you say that this copy came from our files?

Mr. McLendon. No; a copy was made of the original in your file; wasn't it? Can you identify it regardless of whose file it came from?

Mr. Sabella. Yes, sir; this appears to be a copy of the contract that was signed.

Mr. McLendon. Who signed it on behalf of your company?

Mr. Sabella. I did.

Mr. McLendon. And that is the contract under which you are operating now?

Mr. Sabella. Correct.

Mr. McLendon. It does provide for the payment of \$7 per employee per year; does it not?

Mr. Sabella. Yes, sir.

Mr. McLendon. And in the memorandum letter which you sent, earlier identified, you suggested that any requirement of a minimum guarantee would be eliminated; did you not?

Mr. Sabella. Yes, sir.

Mr. McLendon. And so the contract contains no guarantee of any minimum payment per year?

Mr. Sabella. That is right, sir.

Mr. McLendon. Did you know that your competitor did propose, make a proposal to guarantee a minimum?

Mr. Sabella. No, sir.

Mr. McLendon. You didn't know that?

Mr. Sabella. No, sir.

Mr. McLendon. You didn't discuss that with anybody at Melpar?

Mr. Sabella. No, sir.

Mr. McLendon. Mr. Sabella, did you authorize Mr. Tucker or Mr. Baker—either one or both of them—to speak now in negotiations with Melpar?

Mr. Sabella. No, sir.

Mr. McLendon. And if the records of Melpar show they did speak for you, do say that they spoke for you without your permission and without your authority?

Mr. Sabella. Would you repeat that, please?

Mr. McLendon. I said if the records of Melpar showed that Mr. Tucker and Mr. Baker attended a meeting in their company offices and when asked if they could speak for Interstate, your company, and both replied, "Yes," would you say that they were there representing and speaking for your company without your authority?

Mr. Sabella. Yes; I would say they were speaking without our authority.

Mr. McLendon. And you didn't know anything about it?

Mr. Sabella. No, sir.

Mr. McLendon. I show you a copy of a memorandum dated August 28, shortly before that contract was signed, and ask you to look at that. That appears to be a memorandum prepared by Mr. Marsh; does it not?

Mr. Sabella. Yes, sir.

Mr. McLendon. And it purports to state the results of negotiations about your company's contract; does it not? I say it purports to.

Mr. Sabella. I haven't had a chance to read it.

Mr. McLendon. Mr. Reporter, mark that agreement "Exhibit 2."

(The document referred to was marked "Sabella Exhibit 2," and is as follows:)

SABELLA EXHIBIT 2

AGREEMENT

AGREEMENT made and entered into this 17th day of September 1963, by and between BRASS RAIL FOOD SERVICES, INC., a corporation of the State of Delaware, with main offices at 641 Farmington Avenue, Hartford, Connecticut, hereinafter referred to as "BRASS RAIL" and the MELPAR, INC., of Falls Church, Virginia, hereinafter referred to as "MELPAR".

WITNESSETH

In consideration of the mutual covenants herein contained, the parties agree as follows:

1. MELPAR grants to BRASS RAIL, as an independent contractor, the exclusive right to operate the food and vending machine services for MELPAR at their plants located in Fairfax County, Virginia, to accommodate MELPAR's employees, but restricted to such area as MELPAR may determine.

2. BRASS RAIL agrees to so operate said services and to offer for sale food products, cigars and cigarettes, and non-alcoholic beverages (hereinafter referred to as "products"), of such types and in such numbers as may from time to time be agreed upon by the parties hereto. BRASS RAIL will at all times furnish proper food service in the cafeteria and/or other facilities, and shall render said service, including vending, during such hours as may be mutually agreed upon. The operating policies of the business conducted by BRASS RAIL hereunder, including selling price of foods, portions, menus and recipes, shall be subject to review and approval by MELPAR. BRASS RAIL agrees to adequately service MELPAR's needs for such food and vending machine services at its plants located in the Fairfax County area.

3. All products offered for sale shall be purchased, stored, transported, prepared and sold by BRASS RAIL for its own account and at its own expense and risk.

4. BRASS RAIL shall retain for its own account all monies collected by BRASS RAIL from the sale of its products to MELPAR's employees.

5. MELPAR shall provide without cost to BRASS RAIL the space, utilities, including local telephone calls, and equipment now located in the plants (except vending machines) required for the operation of the food service program. BRASS RAIL shall use due diligence in the care and operation of all property supplied to BRASS RAIL by MELPAR hereunder. MELPAR will maintain, repair and replace, at its own cost

and expense, said equipment and facilities furnished by it hereunder except those expendable items enumerated in Section 6. Upon termination of this Agreement, BRASS RAIL shall surrender to MELPAR, less reasonable wear and tear, a similar inventory to the one first received, or as may be augmented or reduced by MELPAR during the term of this Agreement.

6. It is understood that BRASS RAIL shall provide the replacement of expendables such as trays, silverware, kitchen utensils, etc., up to the level initially provided by MELPAR to the BRASS RAIL. BRASS RAIL shall also supply such additional cooking and serving equipment as may be needed; MELPAR shall not be obligated to furnish any equipment other than as listed in the MELPAR inventory.

7. BRASS RAIL shall be responsible for kitchen cleaning, including floors of kitchen area and food service facilities utilized. MELPAR will be responsible for the cleaning of floors, walls, ceiling, windows, and electrical fixtures in the dining areas.

8. BRASS RAIL shall hire and pay all employees necessary to properly conduct the food service program, who shall be the employees of BRASS RAIL and not of MELPAR.

9. BRASS RAIL, through its own employees, shall at all times during the period of this Agreement maintain all Vending Machines installed hereunder clean, neat, in good working order, and adequately supplied with fresh, nationally known confections, gum, nuts, cigarettes, hot and cold beverages, dairy products, packaged food products, and other products mutually agreed upon by the parties to this agreement. BRASS RAIL makes the warranty that the food and beverages shall be of good quality, fit and wholesome. MELPAR shall not attempt to make any repairs to such Vending Machines, but shall promptly notify BRASS RAIL if such repairs are needed. Any requests by MELPAR for service or repair to such Vending Machines will be promptly honored by BRASS RAIL. Proper maintenance and service is of the essence of this Agreement. BRASS RAIL and its employees, agents and servants will conduct its business in a quiet and orderly manner and will comply with such orders, rules and regulations as MELPAR may establish governing the conduct of persons on its property. BRASS RAIL agrees to keep the premises neat and sanitary and to clean up any waste or rubbish before leaving.

10. Porter escort and assistance will be made available by MELPAR to BRASS RAIL while the latter's employees are on MELPAR premises servicing the Vending Machines; MELPAR shall have no liability to BRASS RAIL with respect to such porters while they

are assisting BRASS RAIL. BRASS RAIL shall be responsible for the results of any such servicing and for any necessary training of the said porters. BRASS RAIL shall reimburse MELPAR for such porter assistance either at agreed rates on a monthly invoice basis or at a standard agreed monthly rate.

11. Vending machines installed hereunder and all articles and money contained in such machines shall at all times remain the property of BRASS RAIL.

12. MELPAR hereby grants to BRASS RAIL and its employees the privilege, during the life of this agreement, to enter on the property of MELPAR at times mutually agreed upon between MELPAR and BRASS RAIL for the purpose of installing, maintaining, servicing, operating and moving or removing Vending Machines.

13. MELPAR shall not be held responsible or accountable for the safety or care of any of the Vending Machines or their contents while on the premises of MELPAR and MELPAR shall in no way be responsible for any loss which BRASS RAIL may sustain on account of loss of or damage to any Vending Machines or their contents by reason of fire, theft, or other casualty of whatsoever nature or character, whether or not such damage or injury is caused by any agent, employee or invitee of MELPAR.

14. BRASS RAIL agrees to maintain in full force and effect (a) public liability, property damage, product liability, automobile liability and other insurance in such amounts and character and with a company or companies as is satisfactory to MELPAR, covering any liability of BRASS RAIL or MELPAR arising out of or in connection with the installation, maintenance, servicing, operation and removal of all Vending Machines installed pursuant to this agreement, including claims resulting from use or consumption of any products sold or distributed through such Vending Machines or from any act of any employee or agent of BRASS RAIL while on MELPAR's premises, and (b) workmen's compensation insurance as prescribed by the laws of Virginia and employer's liability insurance. The certificates evidencing such insurance shall provide that the insurance will not be modified or cancelled unless MELPAR is given ten (10) days prior notice. Upon receipt of such notice of modification or cancellation of insurance MELPAR may, at its election, cancel this agreement effective immediately, by oral or written notice to BRASS RAIL. BRASS RAIL shall furnish MELPAR with copies of such certificates on request.

15. BRASS RAIL shall comply with all statutes, ordinances, and regulations of all federal, state, county, and municipal governments, and of any and all of the departments

and bureaus thereof applicable to the carrying on of its business. BRASS RAIL shall procure at its own expense all licenses, permits, inspections and examinations required by health and sanitation authorities, and will pay promptly all taxes assessed against its business herein described, but nothing herein contained shall be deemed to require BRASS RAIL to pay any real or personal property taxes assessed against any property not owned by BRASS RAIL.

16. It is further understood that this contract shall continue one (1) year from date and thereafter, but may, however, be terminated by a thirty (30) days written notice by either party hereto, which notice shall be addressed to the other party at their principal place of business as set forth in this agreement. Upon such termination BRASS RAIL will promptly remove all Vending Machines and other property of BRASS RAIL from MELPAR's premises. MELPAR will permit BRASS RAIL to enter on its premises for this purpose at times mutually agreed upon.

17. BRASS RAIL agrees that during the term of this contract and for one (1) year thereafter, it shall not employ or solicit for hire persons employed by MELPAR, and MELPAR, likewise agrees that during the term of this contract and for one (1) year thereafter, it shall not hire or contract with directly or indirectly persons employed by or who have been in the employ of BRASS RAIL.

18. BRASS RAIL may operate the vending machines through INTERSTATE VENDAWAY, INC., an affiliate company, or other firm approved by MELPAR.

19. For the privilege of operating the food and vending services, the BRASS RAIL shall pay to MELPAR a sum of \$7.00 per employee per year, to be paid in 13 payments per year at the rate of \$538 per period per employee. Employee figures shall be based upon the average number of full-time employees working and/or being paid for 40 hours per week or more, plus an accumulation of part-time employees hours so that each additional 40 hours of part time employment represents one person at \$7.00 per person.

20. This agreement shall become applicable to all operations commencing on the 28th day of September, 1963, or such other date or dates as may be agreed to for individual plants or operations.

1292 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

21. The laws of the State of Virginia shall apply in all instances as to the interpretation of this contract.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed by their duly authorized officers the day and year first above mentioned.

BRASS RAIL FOOD SERVICES, INC.

WITNESS:

Barbara O'Leary

By:

A. Sabella
Vice Pres.

MELPAR, INC.

WITNESS:

A. Brandon Marsh

By:

A. C. Weid
A. C. Weid
Executive Vice President

Mr. McLendon. You have read that memorandum now; have you?

Mr. Sabella. Yes, sir.

Mr. McLendon. That memorandum contains a statement to the effect that Melpar had an agreement with Baker?

Mr. Sabella. Yes, sir.

Mr. McLendon. On the side; a side agreement?

Mr. Sabella. That is what it says.

Mr. McLendon. That the contract with your company could be canceled upon a notice or upon agreement between Melpar and Baker; isn't that the effect of it?

Mr. Sabella. That is what it says.

Mr. McLendon. And if Baker made any agreement such as that, you say he had no authority from you?

Mr. Sabella. No, sir.

Mr. McLendon. What did you understand Baker's connection with this transaction was?

Mr. Sabella. Only that he was Mr. Tucker's associate and that he would be assisting Mr. Tucker in representing Melpar and handling our proposal to Melpar.

Mr. McLendon. How did you learn that information—that he was associated with Mr. Tucker, representing Melpar?

Mr. Sabella. I learned this from Donegan in conversation with him that evening that we were in Washington.

Mr. McLendon. And did you understand that the \$1—the difference between the \$8 that you said you could pay and the \$7 that you agreed to pay—did you understand that \$1 was to be paid someone other than Melpar and other than your company?

Mr. Sabella. No, sir.

Mr. McLendon. What was to become of it?

Mr. Sabella. That was never discussed.

Mr. McLendon. What was to become of it? I am asking you.

Mr. Sabella. It was just never discussed. That is the only answer I can give you.

Mr. McLENDON. You weren't giving it away, were you?

Mr. SABELLA. Heck, no. I was glad to get it.

Mr. McLENDON. You paid Mr. Hancock's expenses, didn't you, to Washington?

Mr. SABELLA. That I wasn't involved in at all, sir. I don't know anything about it.

Mr. McLENDON. The company did. Your company paid it?

Mr. SABELLA. I don't know this.

Mr. McLENDON. And after these negotiations were over, didn't Hancock demand of you that you pay him the \$1?

Mr. SABELLA. Not to me, sir.

Mr. McLENDON. Do you have knowledge that he made demands upon the company?

Mr. SABELLA. No, sir; I don't.

Mr. McLENDON. You don't know that?

Mr. SABELLA. No, sir.

Mr. McLENDON. Did you approve the purchase from Hancock or his company of the vending machines that were stored in Maryland?

Mr. SABELLA. I was not involved in this transaction at all.

Mr. McLENDON. Did you know about it?

Mr. SABELLA. It was discussed at that meeting that evening. There was some discussion of it.

Mr. McLENDON. Was any agreement made about it?

Mr. SABELLA. I don't recall there was any agreement made about it.

Mr. McLENDON. Did your company buy those machines?

Mr. SABELLA. My understanding is that there was equipment purchased by Interstate, but I don't know that these were the particular machines.

Mr. McLENDON. Did you understand it involved about \$86,000?

Mr. SABELLA. This was the figure I had heard; yes.

Mr. McLENDON. And your company wound up owning them, didn't it? Do you know that your company acquired them?

Mr. SABELLA. I don't know that they acquired all of them. I know there were some machines acquired for this operation that was under discussion between Mr. Hancock and Mr. Donegan.

Mr. McLENDON. And were those machines stored over in Maryland?

Mr. SABELLA. I don't know where they were stored.

Mr. McLENDON. Were they old machines, broken machines?

Mr. SABELLA. I couldn't say, sir.

Mr. McLENDON. You didn't see them?

Mr. SABELLA. No, sir.

Mr. McLENDON. Has Hancock made demand upon your company for payment to him of any compensation in connection with this contract?

Mr. SABELLA. No, sir.

Mr. McLENDON. You are sure about that?

Mr. SABELLA. Not to my division.

Mr. McLENDON. Do you know whether he made it to anybody else in your company?

Mr. SABELLA. No; I don't.

Mr. McLendon. You don't know about that? Would that normally be handled by you or someone else?

Mr. Sabella. The loan?

Mr. McLendon. No, no; the demand for compensation in connection with the Melpar contract; would that be handled by you, Mr. Donegan, or who?

Mr. Sabella. Compensation to whom?

Mr. McLendon. Compensation to Hancock.

Mr. Sabella. Was it to be handled by us?

Mr. McLendon. Yes; would it be handled by you as an individual officer of the company, or by what other officer would it be handled?

Mr. Sabella. Compensation is handled—any commissions that are paid in our area are handled by our area.

Mr. McLendon. In your office?

Mr. Sabella. Yes, sir.

Mr. McLendon. Wouldn't you know then whether he made demands for compensation?

Mr. Sabella. Yes; I would, and he did not make any demand in my division at all.

Mr. McLendon. He did not in your division?

Mr. Sabella. No, sir.

Mr. McLendon. Do you admit that you owe him anything; that your company owes him anything?

Mr. Sabella. I couldn't make a judgment on this.

Mr. McLendon. How about Tucker? Do you owe him?

Mr. Sabella. I don't see why; no.

Mr. McLendon. How about Baker?

Mr. Sabella. I never met Mr. Baker.

Mr. McLendon. Mr. Sabella, could your company have gotten this contract with Melpar without Baker and Tucker's services?

Mr. Sabella. I don't know, sir.

Mr. McLendon. You have been in this business a long time.

Mr. Sabella. Yes, sir.

Mr. McLendon. You have been negotiating contracts all over the country.

Mr. Sabella. Yes, sir.

Mr. McLendon. Can't you tell this committee whether the services rendered by Tucker and Baker in connection with your getting the Melpar contract were helpful in getting it?

Mr. Sabella. My only dealings were with Mr. Tucker that evening, and he represented himself as being a representative of Melpar. I had no prior meeting with him, or no meeting afterward, so that I wouldn't know whether on the basis of that one evening, whether we could have gotten the contract with his intercession alone or through our own efforts. It would be hard for me to make a judgment based upon just that one evening. I only drew a proposal. I wasn't involved in the actual selling or the contacts that normally precede an effort to get the job.

Mr. McLENDON. Mr. Sabella, Mr. Donegan has testified here in your presence this afternoon that he never heard of the Melpar contract until he got to Washington.

Mr. SABELLA. That is correct.

Mr. McLENDON. And he learned it from Hancock.

Mr. SABELLA. That is right.

Mr. McLENDON. And the next day he talked to Tucker and Baker.

Mr. SABELLA. Yes, sir.

Mr. McLENDON. And that Tucker and Baker arranged for him to go down and survey the Melpar business.

Mr. SABELLA. Yes.

Mr. McLENDON. As a result of that, your company made a proposal.

Mr. SABELLA. Yes, sir.

Mr. McLENDON. And as a result of the proposal you got the contract.

Mr. SABELLA. Yes, sir.

Mr. McLENDON. And you tell this committee now that you don't think Tucker and Baker had anything to do with your getting the contract?

Mr. SABELLA. I am sure they did, but at that time that I drew the proposal, I wasn't sure of it then. I am now.

Mr. McLENDON. Having helped you procure the contract, do you want this committee to understand that you don't owe them anything for their services?

Mr. SABELLA. I wasn't involved in these negotiations.

Mr. McLENDON. I am not asking you about what you were involved in. I am asking you a very simple question.

Mr. SABELLA. If they were representing us and they got the contract, they should certainly be entitled to reimbursement from us, yes, if there was an agreement to this effect.

Mr. McLENDON. That is the way you want to leave it?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. All right; that is all, Mr. Chairman.

(The document referred to was marked "Sabella Exhibit No. 3," and appears on p. 1296.)

Senator CANNON. You are saying so far as you know they were not representing you?

Mr. SABELLA. That is right, sir.

Senator CANNON. You believe they were representing Melpar at the time?

Mr. SABELLA. I believe Mr. Tucker was representing Melpar.

Senator CANNON. What did you think was going to happen to this difference between the \$7 and the \$8? Did you think it would inure to the benefit of your company or was still to be paid to somebody by way of commission?

Mr. SABELLA. It was left hanging. I realized at the time, of course, that there was another dollar that was available if they wished to use it, but I did not bring it up at the time.

Senator CANNON. You simply presented your proposal on the \$7 minimum?

Mr. SABELLA. That is right.

Senator CANNON. And that was the proposal that was accepted, in essence?

SABELLA EXHIBIT 3

MELPAR, INC.

DATE August 28, 1963

TO Memorandum to File

FROM R. B. Marsh *RBM*

SUBJECT CAFETERIA AND VENDING



This afternoon, Mr. Weid invited me to attend a negotiation on obtaining a new caterer for the cafeteria. In attendance were Messrs. Tucker and Baker, plus Mr. Cosby who arrived towards the end of the discussion. Mr. Weid agreed to the following:

1. Melpar would have a two-year contract with Interstate for both cafeteria operation and vending. After two years there could be an automatic 30-day notice of cancellation by either party. However, there will be another agreement between Mr. Baker, or Mr. Baker's company, in which Melpar can cancel the contract with Interstate providing the feeding or vending operation is unsatisfactory.
2. Interstate will guarantee Melpar a minimum of \$25,000 per year. This will be based on \$7.00 per year, per employee in the Northern Virginia area. They will supply us with a formula to be used in determining the number of employees. The average number of employees during each month will be supplied by the Accounting Department. This figure will be multiplied by \$7.00 and divided by 12. Interstate will forward a check.
3. Melpar will be responsible for replacing any of the original nonexpendable equipment, which is worn out, in the cafeteria. Any new equipment that is needed in the Falls Church cafeteria will be paid for by Interstate. Melpar will be responsible for providing utilities and ventilating to any new or additional facilities at Leesburg Pike, Hardin Street, Shirley Engineering and Shirley Research where new feeding operations will be installed.
4. All equipment needed at these facilities will be furnished by Interstate.
5. A conference will be held on Security but if the present Security arrangements cannot be changed, then Interstate will be backbilled for Security costs provided by Melpar in connection with cafeteria and vending operations.
6. The contract will be drawn by others but will include the basic provisions found in the present Nationwide Agreement. Compensation will be added.
7. Melpar will work with Interstate in the establishment of prices, but the final word will be up to Melpar.

REK:hmc

Mr. SABELLA. Yes, sir; the contract that was accepted, not the proposal.

Senator CANNON. Was there a provision in the contract that it could be canceled on 30 days' notice?

Mr. SABELLA. Yes, sir.

Senator CANNON. So that the supposed side agreement relating to a 30-day cancellation which counsel asked you about from a memorandum not prepared by you was actually a part of your contract, the contract you finally signed?

Mr. NUSSBAUM. Was what?

Mr. SABELLA. No, sir.

Senator CANNON. The 30-day cancellation provision.

Mr. NUSSBAUM. I think that Mr. McLendon's question, Senator, had to do with some kind of agreement with Mr. Baker and Mr. Tucker, not with Mr. Sabella's company.

Senator CANNON. But the contract that your company entered into did have a provision for 30-day cancellation; is that correct?

Mr. SABELLA. Yes, sir.

Senator CANNON. Do you maintain the records of your company, the financial records for your respective division?

Mr. SABELLA. Yes, sir.

Senator CANNON. What is done with this additional dollar insofar as the records of your company are concerned, the difference between the \$7 and the \$8? How is that handled on your records?

Mr. SABELLA. It is treated as income. There is no special provision made for it.

Senator CANNON. In other words, that is just a part of the income of your company?

Mr. SABELLA. That is right.

Senator CANNON. It is not shown as held in trust for any future purpose?

Mr. SABELLA. No, sir.

Senator CANNON. And not shown that it is an earmarked fund for any purpose?

Mr. SABELLA. No, sir.

Senator CANNON. And it has been reported, insofar as it was received, as part of your income for the year 1963—as income to the company?

Mr. SABELLA. Yes.

Senator CANNON. No further questions.

The CHAIRMAN. Senator Pell?

Senator PELL. To follow up on this mystery dollar here, if you felt that the dollar should be paid out now, you would be in a different position if it has already been reported as current income, would you not?

Mr. SABELLA. No; this dollar would still be available if it were decided to be disbursed.

Senator PELL. And is it your belief that this dollar will not be paid out for the duration of the contract?

Mr. SABELLA. I have no opinion about whether it will or will not. It isn't being paid out now.

Senator PELL. If it were to be paid out, do you have any theory as to whom it should be paid out to?

Mr. SABELLA. This would depend upon company policy in Chicago.

Senator PELL. Thank you.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. To whom did you tell that there would be \$8 per person per year available?

Mr. SABELLA. Mr. Tucker.

Senator CURTIS. And you knew that he was acting with Mr. Baker? I wish the counsel would quit coaching the witness.

Mr. NUSSBAUM. Excuse me, Senator; I didn't say anything.

Senator CURTIS. I know you didn't.

Mr. NUSSBAUM. I was looking at you and I think I was behind him.

Senator CURTIS. I saw you.

Mr. SABELLA. Would you repeat that, sir?

Senator CURTIS. To whom did you tell that Interstate would have \$8 per person available as commission?

Mr. SABELLA. Mr. Tucker.

Senator CURTIS. And you have testified that you knew Baker was an associate?

Mr. SABELLA. Yes; at that meeting I found this out.

Senator CURTIS. Is it also your testimony that they represented Melpar?

Mr. SABELLA. My impression of it was that Mr. Tucker was speaking for Melpar.

Senator CURTIS. Is that a usual procedure, to tell the representatives of the contracting party how much commission you will give and then complete a contract for a lesser amount?

Mr. SABELLA. In my capacity as surveying this job was to help to indicate how much would be available for the disbursement of commission.

Senator CURTIS. And you gave that information to Melpar?

Mr. SABELLA. To Mr. Tucker.

Senator CURTIS. But you said that you thought Mr. Tucker represented Melpar.

Mr. SABELLA. That is right.

Senator CURTIS. Isn't that quite unusual?

Mr. SABELLA. In my experience it was, but I would not call it unusual.

Senator CURTIS. As a matter of fact, you knew that there was some sort of a brokerage arrangement that would follow, did you not?

Mr. SABELLA. I did not know at this time.

Senator CURTIS. Well, you knew that you were willing to pay \$8 and they got Melpar to settle for \$7?

Mr. SABELLA. Yes, sir.

Senator CURTIS. Isn't that unusual in itself?

Mr. SABELLA. Yes, sir; if he was representing Melpar alone; yes, sir.

Senator CURTIS. Who else was there representing them?

Mr. SABELLA. Themselves, I suppose.

Senator CURTIS. And you knew so then?

Mr. SABELLA. I learned so; yes.

Senator CURTIS. Now, when you advised them that there was commission leeway up to \$8 per person per year, did that carry with it an implied permission that they could communicate that to Melpar?

Mr. SABELLA. Yes, sir.

Senator CURTIS. So to that extent, in a limited feature, they might have been speaking for Interstate?

Mr. SABELLA. Only communicating what our financial arrangements would be.

Senator CURTIS. Well, of course, we do not fully know what is meant by the statement that appears earlier in our record, by a witness purporting to say Mr. Baker spoke up and said he could speak for Interstate. That may have been that he could speak as to how much commission had been paid. Did you report to your superiors in your own company the transaction about the offer of \$8 commission and ending up with a contract calling for \$7 commission?

Mr. SABELLA. No, sir.

Senator CURTIS. Are you the chief executive in this particular branch of the company?

Mr. SABELLA. I am authorized to make these financial arrangements in things of this type.

Senator CURTIS. So in due course there was no one else to report?

Mr. SABELLA. That is right.

Senator CURTIS. Did you ever see Baker?

Mr. SABELLA. No, sir.

Senator CURTIS. Never have?

Mr. SABELLA. No, sir.

Senator CURTIS. Now, what was the date of the purchase of the machinery that was stored out here in Maryland?

Mr. SABELLA. I don't know, sir.

Senator CURTIS. Is Mr. Donegan in the room? He has been sworn. I wonder if he can answer that.

Mr. NUSSBAUM. I am sorry; Mr. Donegan has left.

Senator CURTIS. Can counsel supply that information?

Mr. NUSSBAUM. Without waiving the attorney-client privilege to any other matters that might be asked of any witness or myself, I will answer that question, if you want me to, Senator.

Senator CURTIS. Yes.

Mr. NUSSBAUM. I do not know the date of the purchase. I do not believe that Mr. Donegan knows the date of the purchase.

Senator CURTIS. Who purchased?

Mr. NUSSBAUM. Who was the individual?

Senator CURTIS. Yes.

Mr. NUSSBAUM. Of the company? It would have been the purchasing director of the company.

Senator CURTIS. Do you know whether that was before or after this contract was signed?

Mr. NUSSBAUM. I do not know that. I will assume that it was before, since some of the machines did go into Melpar. I will say it is a matter of record.

Senator CURTIS. I will ask the witness to supply it for our record, the date of the purchase of the machinery; I mean at a later time. Send it in.

Mr. NUSSBAUM. Senator, we will be happy to supply for you, if we have them as part of the Interstate Vending Co. records or any other company records, the purchase orders or receipts with respect to these machines, which should show that information.

Senator CURTIS. They may be subsequent to that. What I want to know is were you required to purchase this machinery before you got the contract?

Mr. SABELLA. I don't know.

Senator CURTIS. You are one of the top officers according to your own testimony. I want to ask you, would Interstate have gotten the Melpar contract if you hadn't purchased the machines?

Mr. SABELLA. I don't believe so, but I wasn't involved in the action with the machines to be sure. This was apart from my function.

Senator CURTIS. But as you look upon the whole transaction, it is your belief you would not have gotten the Melpar contract if you hadn't purchased the machines?

Mr. SABELLA. That is right.

Senator CURTIS. Did the purchase of the machines inure to the benefit of Melpar at all?

Mr. SABELLA. Will you repeat that, sir?

Senator CURTIS. Did the purchase of these machines by your company from Hancock's company inure to the benefit of Melpar at all?

Mr. NUSSBAUM. Senator, the witness is asking me what you mean by benefit.

Senator CURTIS. Did Melpar get any advantage in anything financial or in any way any benefit by reason of the fact that your company purchased the machines from Hancock's company?

Mr. SABELLA. Not that I know of.

Senator CURTIS. So then Melpar wouldn't have required you to buy or to purchase the machines?

Mr. SABELLA. Not as far as I know.

Senator CURTIS. Then you said that you were of the opinion you wouldn't have gotten the contract if you didn't purchase the machines? If Melpar didn't require you to purchase the machines in order to complete the contract, who did?

Mr. SABELLA. I would suppose Mr. Tucker or Mr. Hancock.

Senator CURTIS. Or both?

Mr. SABELLA. Or both.

Senator CURTIS. They handled it?

Mr. SABELLA. Yes, sir.

Senator CURTIS. That is all.

Mr. McLENDON. There is one other question I want to ask you.

Senator SCOTT. I have no questions.

Mr. McLENDON. Mr. Sabella, let's see if we can't untangle this thing. It is very simple, isn't it? You met at the Madison Hotel with Mr. Tucker and Mr. Hancock?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. And your man, Mr. Donegan?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. And you all four agreed that you could afford to pay up to \$8 per person to Melpar if you had to?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. But you also decided to offer \$4 per person?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. And you instructed Tucker to go to Melpar and see if they would take the \$4 proposal, and Mr. Tucker called you over the telephone and told you that he couldn't sell the \$4; you would have

to raise to \$7; and you drafted a proposal on the basis of Mr. Tucker's telephone conversation; isn't that the story?

Mr. SABELLA. No, sir; not exactly.

Mr. McLENDON. You can tell it exactly, then.

Mr. SABELLA. We suggested that \$4 be offered to Melpar. Then there would be \$4 available for whatever other use they wanted.

Mr. McLENDON. Who was to make the offer to Melpar?

Mr. SABELLA. Mr. Tucker.

Mr. McLENDON. And he did, didn't he?

Mr. SABELLA. As far as I know.

Mr. McLENDON. And didn't he call you by telephone and say that you had to raise it to seven?

Mr. SABELLA. He called by telephone and said, "Put down the figure \$7 in the contract."

Mr. McLENDON. And you drafted a proposal with \$7?

Mr. SABELLA. The contract with \$7; yes.

Mr. McLENDON. And that contract has been offered in evidence here this afternoon?

Mr. NUSSBAUM. You mean the contract, exhibit 2?

Mr. McLENDON. The proposal also speaks for itself, doesn't it?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. That is the way it happened, isn't it?

Mr. SABELLA. Yes, sir.

Mr. McLENDON. All right. That is all.

The CHAIRMAN. Senator Scott?

Senator SCOTT. No questions.

The CHAIRMAN. Senator Cannon has a question he would like to ask.

Senator CANNON. Is it usual in your business to pay a broker's commission or a finder's fee for putting you in touch with a prospective customer?

Mr. SABELLA. Yes, sir.

Senator CANNON. It is usual?

Mr. SABELLA. Yes, sir.

Senator CANNON. And did you pay any broker's or finder's fee in this case?

Mr. SABELLA. Not as far as I knew.

Senator CANNON. You have not paid any at the present time?

Mr. SABELLA. No, sir.

Senator CANNON. Did you ever see, meet, or talk to Bobby Baker?

Mr. SABELLA. No, sir.

Senator CANNON. As to the machines that you say were purchased, did you need those machines or comparable machines to service the Melpar contract?

Mr. SABELLA. Yes; I would have needed comparable machines if not those; yes.

Senator CANNON. So that your company would have had to buy machines?

Mr. SABELLA. Yes, sir.

Senator CANNON. To service that contract. And did you look upon Mr. Hancock as the finder in this particular instance, the finder or broker which Mr. Donegan, I believe, mentioned?

Mr. SABELLA. According to what Mr. Donegan told me, I would have looked upon him that way; yes.

Senator CANNON. Do you still look on him as the finder or broker?
Mr. SABELLA. Here, again, I would lean to Mr. Donegan's estimate of it, because I hadn't met Mr. Hancock before this evening.

Senator CANNON. And do you know whether or not Mr. Hancock, as a part of his finder's or broker's position, did require the purchase of the machines that were previously mentioned?

Mr. SABELLA. I don't know this for a fact, sir.

Senator CANNON. But in any event you had to have machines to service the contract, and you did buy those machines?

Mr. SABELLA. Yes, sir.

Senator CANNON. From Mr. Hancock?

Mr. SABELLA. Yes, sir.

Senator CANNON. That is all.

Mr. McLENDON. That is all.

The CHAIRMAN. The witness may be excused.

We appreciate your appearance.

I would like to make this statement for the record, that both of these witnesses appeared without subpoena and that the committee had permission to sit this afternoon while the Senate was in session.

The committee stands in recess until 10 o'clock tomorrow morning in this room.

(Whereupon, at 3:55 p.m., the committee recessed, to reconvene at 10 a.m., Tuesday, February 25, 1964.)

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