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FINANCIAL OR BUSINESS INTERESTS OF OFFICERS
OR EMPLOYEES OF THE SENATE

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. 221

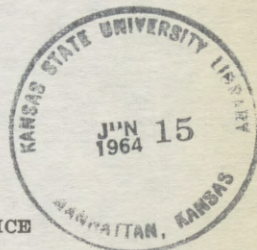
RESOLUTIONS AUTHORIZING AN INVESTIGATION INTO THE
FINANCIAL OR BUSINESS INTERESTS OF ANY OFFICER OR
EMPLOYEE OR FORMER OFFICER OR EMPLOYEE OF THE
SENATE

OCTOBER 29 AND NOVEMBER 14, 1963

PART 21

Testimony of Hon. John J. Williams, a U.S. Senator
From the State of Delaware

Printed for the use of the Committee on Rules and Administration



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[Executive hearings of October 29 and November 14, 1963, released to the
public April 29, 1964.]

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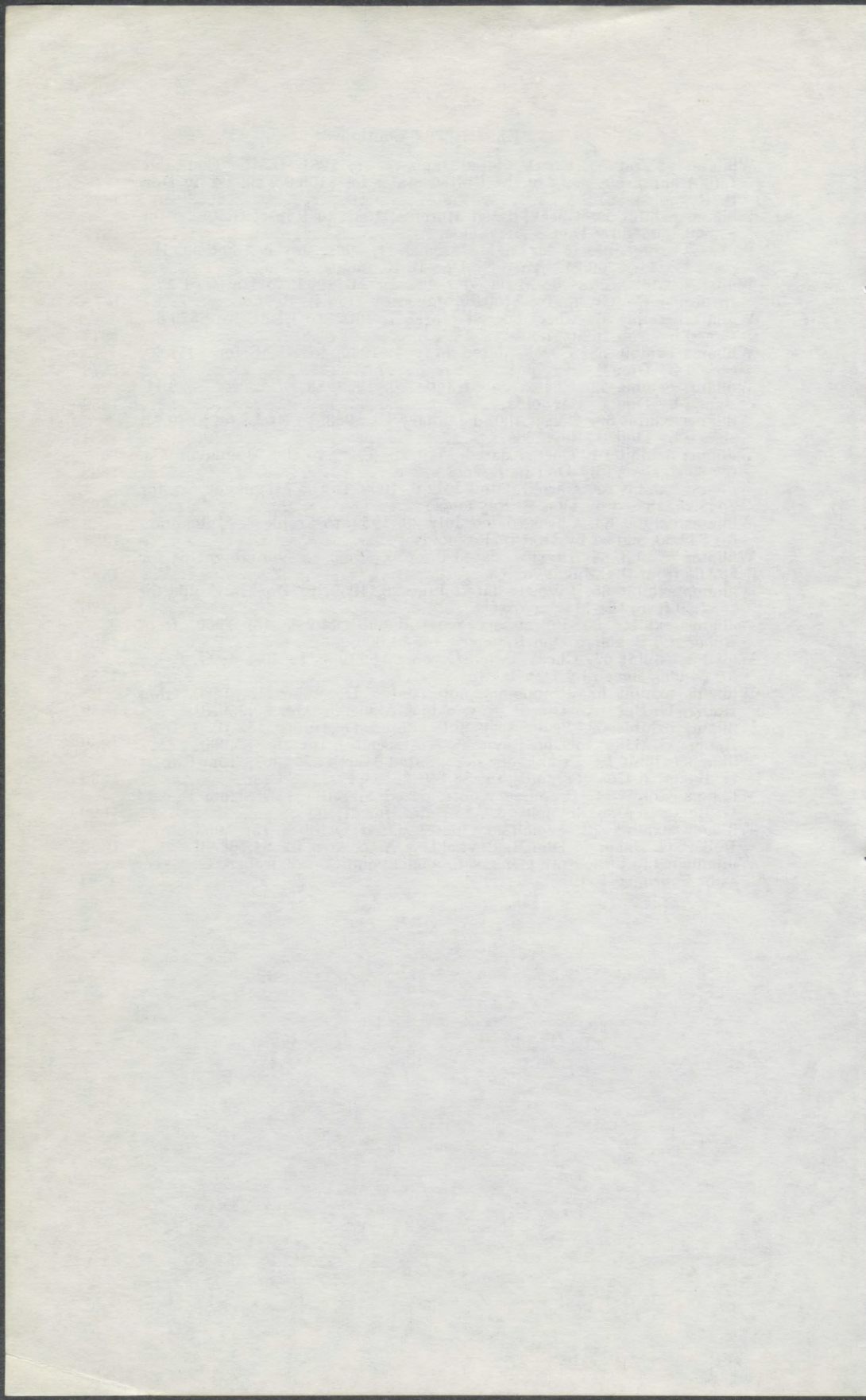
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FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

TUESDAY, OCTOBER 29, 1963

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

The committee met, pursuant to recess, at 10:15 a.m., in room 301, Old Senate Office Building, Senator B. Everett Jordan (chairman) presiding.

Present: Senators Jordan, Hayden, Cannon, Pell, Clark, Byrd of West Virginia, Curtis, Cooper, and Scott.

Also present: Gordon F. Harrison, staff director; Hugh Q. Alexander, chief counsel; Burkett Van Kirk, associate counsel; James H. Duffy, associate counsel; William B. Whitley, staff assistant to Senator Jordan; Walter Mote, professional staff member; and John Herberg, legislative counsel.

The CHAIRMAN. The committee will come to order.

* * * * *

The CHAIRMAN. This meeting is called pursuant to Senate Resolution 212, agreed to October 10, 1963, which authorizes and directs the Committee on Rules and Administration to inquire into the financial or business interests of any officer or employee or former officer or employee of the Senate.

This morning we will hear testimony from Senator John J. Williams, author of that resolution. Senator Williams, will you please come forward and be sworn.

Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Senator WILLIAMS. I do.

The CHAIRMAN. Thank you. You may proceed.

TESTIMONY OF HON. JOHN J. WILLIAMS, A U.S. SENATOR FROM THE STATE OF DELAWARE

Senator WILLIAMS. Mr. Chairman, I do not have any prepared statement. But, with your permission, I will speak from notes which I have here.

The CHAIRMAN. You proceed any way you like, Senator.

Senator WILLIAMS. I do appreciate this opportunity of appearing before your committee this morning and pledge to you my full cooperation in the difficult task to which you have been assigned. Recently, grave questions have been raised as to the propriety of certain outside transactions and activities of one of the employees of the U.S. Senate.

However, the Senate recognized that these questionable activities may well extend beyond the operation of this one employee, and, therefore, the resolution which we adopted extended broad authority to your committee to conduct a full-scale investigation of any improper activities involving the U.S. Senate. Perhaps out of this investigation we may find that the Senate does not now have adequate rules or guidelines to govern the activities of either its employees or its own Members. Certainly there could be no compromise in the ethical standards under which the Senate should operate.

Now, my purpose in being here today is to give your committee what information I have concerning the operations particularly of Robert Baker. First, I would like to review the background of this.

During the month of September reports began circulating to the effect that there may be some questions, proper questions, raised as to some of the outside activities of Robert Baker.

Subsequent to those press comments, I began receiving certain information which, upon investigating it further, I found may warrant more than just being classified as rumors. And it was on the 3d of October I called Senator Mansfield, the majority leader, and asked for an opportunity to meet with him.

I met with Senator Mansfield in his office shortly after noon. This was on a Thursday. I advised him of the information which had been brought to my attention and stated that while I did not think we should accept it as factual, nevertheless it did have enough substance to it that I thought it would be proper for us to call it to the attention of Baker and ask him either to confirm or to deny it, and if he confirmed it, to explain it.

Senator Mansfield agreed with that. But due to other commitments that afternoon, it did not suit him to continue the session. We scheduled, then, a meeting for the afternoon of the following day, which was Friday.

In the meantime, upon the suggestion of Senator Mansfield, I was to get in touch with Robert Baker and tell him not only about the meeting but also about the substance of the questions which we wanted to raise with him at our meeting. I had my office call several times, and to make sure there was no slip I personally called Mr. Baker's office at least three or four times during the afternoon of Thursday, trying to get in touch with him, and left word both in the Democratic cloakroom and in his office for him to call back. I was unable to get in touch with him.

Later in the afternoon, I received a notice that he had gone downtown and would not be back until the following morning but that he would contact me that Friday morning. I did not hear from him Friday morning, and I made two or three more calls to get in touch with him, unsuccessfully. Around 1:30 to 2 o'clock Friday afternoon I went over to Senator Mansfield's office, as had been arranged, and present at that meeting were Senator Dirksen, the minority leader, Senator Humphrey, Senator Russell, and myself, but we had not been able to get in touch with Baker.

I advised the leadership that I had been unable to locate him and that he had not called in. At that time Senator Mansfield said he felt

he could locate him and instructed his secretary to notify Baker to come to his office. But he, too, was unable to locate him. He was apparently out of the Capitol. The meeting disbanded—although before disbanding I did describe to this group the substance of the reports which had been called to my attention and which I thought, in turn, should be called to Robert's attention.

We left the meeting subject, more or less, to the call of Senator Mansfield, and he was going to try to get in touch with Mr. Baker over the weekend.

I went back to Millsboro and arrived back there around 7 or 8 o'clock Friday evening. There was a call from Mansfield's office. I talked with him, and he said that he had located Bobby and wanted to know if it would suit to schedule the meeting at 3 o'clock Monday afternoon. This was perfectly agreeable.

Senator CURTIS. What date was that?

Senator WILLIAMS. This was on Friday that he called. Friday was the 4th of October. And that meant that we scheduled the meeting the following Monday, which was October 7, 3 p.m.

In the meantime, I don't know whether I suggested it or whether Senator Mansfield suggested it, but, anyway, the suggestion was made that since I had not seen Mr. Baker, and I would not be back in Washington until Monday, Senator Mansfield was to tell Bobby about the reports which had been called to our attention, and which I had mentioned to him. This was so that he would be apprised of what we wanted to talk with him about Monday afternoon. So that was done on a Friday.

This meeting was scheduled for Monday, October 7, at 3 o'clock, in Senator Dirksen's office. I went down to the office at 3 o'clock. Senator Dirksen was present. We waited about 20 minutes or so, and Senator Mansfield called and said that due to a delay which he would explain when he got there he would be just a few more minutes late in arriving.

He did arrive sometime later—I don't know; maybe 3:40, 4 o'clock—he was accompanied when he came around by Senator Anderson this time—and he told us that Baker had come to his office just prior to the meeting and told him that he was not going to come down and answer any questions, but that instead he had tendered his resignation. Of course, from there on, you are familiar with the developments.

I only review that to emphasize the point that he was given ample opportunity to meet with the leadership of the Senate and answer the questions which we felt should be called to his attention, questions which had arisen and which he rejected, thus failing to take advantage of that opportunity. After this was rejected and he had tendered his resignation, I discussed with the leadership the procedure we should follow, and it was decided that the Senate had no alternative in the light of this situation other than to introduce a resolution, which was done on October 10 and approved by the Senate unanimously.

I would like for the record, if I may, to have included a copy of my one-page statement accompanying the introduction of that resolution, at this point.

The CHAIRMAN. So ordered.

1796 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

(The statement referred to follows:)

STATEMENT OF SENATOR JOHN J. WILLIAMS, BEFORE THE U.S. SENATE, OCTOBER 10, 1963

Mr. President, we in America are extremely fortunate in that we have one of the best forms of government ever conceived by mankind.

But that form of government will stand only so long as its public officials respect the integrity of their offices and it can hold and maintain the confidence of the American people.

In recent weeks we have seen publicized rather serious charges of questionable transactions by an employee of the U.S. Senate.

The Senate, which has never been reluctant to call to task officials of the executive branch when questions were raised concerning the propriety of their conduct, has an even greater responsibility to examine these charges that are being made against one of its own employees.

To ignore these charges would be a reflection on the integrity of the entire membership of the U.S. Senate.

The Senate employee against whom the charges were made was given ample opportunity to appear in person to answer these charges but he rejected this invitation and instead submitted his resignation.

But these questions still remain and they must be answered. The Senate and the country have a right to know to what extent public interest has been ignored.

I will not repeat the multitude of rumors circulating the Capital, none of which should be accepted as factual until proven, but none of which are so unimportant that they can be ignored without being fully checked.

All of these allegations can and should be submitted to a committee of the Senate and to the Department of Justice for their examination. The record must be made clear that the Senate does not consider this case closed merely by the resignation of an employee.

The integrity of the U.S. Senate is at stake.

Senator WILLIAMS. Now, before proceeding with the main points which I wanted to call to the attention of the committee and which I discussed with the leadership, I would like to refer briefly—it is in line with what you were discussing earlier in the meeting, of the danger of speculation too much in the press. I would like to relate just one instance of this. Over the weekend, as you are aware, a story appeared, copyrighted in the Des Moines Register, to the effect that I had in my possession certain information concerning the activities of some German girl and that I was going to present that to this committee this morning.

(The article referred to follows:)

WILLIAMS EXHIBIT I

[From the Des Moines Register, Oct. 26, 1963]

U.S. EXPELS GIRL LINKED TO OFFICIALS

IS SENT TO GERMANY AFTER FBI PROBE

(By Clark Mollenhoff, of the Register's Washington Bureau)

WASHINGTON, D.C.—A Senate committee will hear next week about the friendship of several congressional figures with an exotic 27-year-old German girl who was expelled from the country last August. An outline of the girl's activities will be given to the Senate Rules Committee which is in the process of examining allegations regarding the conduct of Senate employees as well as Members of the Senate.

However, the evidence also is likely to include identification of several high executive branch officials as friends and associates of the part-time model and party girl.

WILLIAMS INTERESTED

It was learned Friday that Senator John Williams, Republican, of Delaware, has obtained an account of the woman's life in Washington over a period of more than 2 years.

The wife of a sergeant in the German army, she came to the United States on April 6, 1961. Her husband was attached to the German military mission in Washington.

Last summer the FBI started an investigation of the girl. With less than a week's notice, she and her husband were sent back to Germany August 21, 1963, at the request of the State Department.

AT PARTIES

The investigation established that the beautiful brunette had been attending parties with and was associating with congressional leaders and some prominent New Frontiersmen from the executive branch of Government.

An incomplete list of her Government friends is reported to be in the possession of Senator Williams.

Senator Williams goes before the Rules Committee in a closed session next Tuesday to outline the areas that he feels should be investigated.

The German woman lived with her husband and a 5-year-old child in a comfortable brick home on Military Road in Arlington, Va., and moved in a crowd that included some well-known New Frontier figures. It was not a life that could be financed on the pay of a noncommissioned German soldier.

She was acquainted with Robert G. (Bobby) Baker, the recently resigned secretary to the Senate majority. She is reported to have been a frequent visitor at the Quorum Club, a private club for lobbyists and congressional employees, in the Carroll Arms Hotel, just across the street from the new Senate Office Building.

She has been at the house at 308 N Street SW., that records indicate Baker purchased. Carol Tyler, his \$8,300-a-year secretary when he was employed by the Senate, lived there. Miss Tyler quit at the same time that Baker resigned in the midst of a controversy over his outside business activities.

There is no evidence that the German woman was any more than a mere friendly acquaintance of Baker and Miss Tyler.

KIN AMONG REDS

The German woman was born and reared in Kleinitz, East Germany, and still has relatives on the other side of the Iron Curtain. The possibility that her activity might be connected with espionage was of some concern to security investigators because of the high rank of her male companions.

The investigations by the FBI are reported to have dispelled the possibility that the woman had any political motive in her activities. She and her husband are citizens of West Germany.

There are reports here that they have been divorced since returning to Germany, but this could not be confirmed.

Those acquainted with the woman class her as "stunning," and in general appearance comparable to movie actress Elizabeth Taylor.

ANGRY OVER OUSTER

When she first came to the United States, she was reported to have told various men she was single, and later said she was divorced. Only in the last few months before she was called back to Germany did she tell associates that she was married, and then she said she was contemplating a divorce.

She is reported to have been furious because her important friends did not block her expulsion.

TOLD NEIGHBORS SHE WAS A MODEL, KEPT ODD HOURS

Neighbors say she told them she was a model, to account for her unusual hours. She would leave at odd hours during the day and night, the neighbors said, her husband remaining at home.

Senator WILLIAMS. I felt that that required some kind of a statement on my part, because, while I had heard of this story and had had certain allegations presented to me, which may or may not be accurate, I had at that time no information in my files which would justify my bringing it to the attention of the committee, where I could support any more than just plain rumors. I felt that unless I did make some kind of a statement both the committee and I would be placed in the position of all of us being asked had either I or the committee been trying to cover up something. So I issued a statement which I would like to read here, in connection with it. I stated—I sent a copy of this statement to the chairman of the committee yesterday.

I said that—

the copyrighted story by Clark Mollenhoff which appeared in yesterday's Des Moines Register did not originate from my office, and whether it is true or false is something which I cannot answer and for which the writer will have to assume the responsibility. There is nothing in my files which will either prove or disprove the story, nor was this one of the subjects on the agenda to be discussed at my meeting with the Senate Rules Committee tomorrow.

I felt that I should issue that statement to clarify the situation as to exactly what I was going to discuss here. Beyond that, I have given no indication to the press what I was going to discuss.

I will say in passing over here if I later have anything I will be glad to turn it over to the committee. However, I would not altogether discount the fact that this story may have some connection with what we are going to have to be investigating here in this committee. I hope that it does not, but I would not discount that altogether.

I will say that if the committee decides to get into it I may be able to suggest certain witnesses, who, either willingly or unwillingly, would be in a position to testify and help you out. But I would rather discuss that and follow that through later.

I am advised that the FBI does have a rather extensive file in this particular case involving the German girl, and I am sure that the committee will have access to the FBI files. Perhaps after reviewing those files you could more properly determine just what steps you should take in that connection. But, as I stated, they were not the cases—

The CHAIRMAN. Excuse me just a second, Senator. You are talking about the German girl?

Senator WILLIAMS. Yes. I understand the FBI has conducted a rather extensive investigation in that case. And I would suggest in the light of what has been said in the press it may be well for the committee to examine the files.

Senator CURTIS. I don't want to question right now, but I think maybe whoever this German girl is, her name ought to be named, because there are a lot of German girls. It might reflect on a lot of them.

Senator WILLIAMS. I have the name of the girl. Her name is Mrs. Ellyn Rometsch. Her husband's name is Rolf. That is his first name.

Senator CURTIS. What is his last name?

Senator WILLIAMS. R-o-m-e-t-s-c-h. I have seen her identified as Mrs. Rolf Rometsch, but her name is Ellyn Rometsch. I don't have

this information right at my disposal, but I do have her address and certain other pertinent facts with which the committee may be interested, and I would be glad to make it available to you. I do not have that with me, but I do have the address where this couple were living prior to this girl's being deported.

The CHAIRMAN. The State Department has that information.

Senator WILLIAMS. Yes. That information will all be in the files, anyway. It is readily available.

Mr. Chairman, it has been 3 weeks since the introduction of this resolution, and in the meantime some of the subjects which I presented to the leadership have been referred to in the press. Some of them have not. But the mere fact that they have been referred to does not lessen their importance, nor does it eliminate the necessity of establishing certain facts.

Now, the first case that I would like to call to the attention of the committee is a financial transaction which was referred to somewhat, in yesterday's Washington Daily News. It involves Robert Baker's procurement of certain stock of the Mortgage Guaranty Insurance Co. of Milwaukee, Wis. But the Daily News story only carried a part of this story. I will quote what they referred to. I am quoting from their article:

In the stock deal, Mr. Baker bought 3,600 shares of MGIC stock at \$3 per share 9 months before it began to be quoted on the over-the-counter market at \$22.

That is a quote from the article.

That is not quite the whole story as I get it. Now, here are the details, which I offer for the record of the committee, which I think will establish how this particular deal was planned. First, I have two option agreements, one of which was given by Walter Adams:

I, Walter Adams, hereby sell all of my interest in three units of Mortgage Guaranty Insurance Corp., 606 Wisconsin Avenue, Milwaukee, Wis., for the sum of \$4,000.

I hereby acknowledge receipt of a check for \$4,000, in full payment for the said stock aforementioned.

This is witnessed and signed by Mr. Adams. Here is a second——
Senator CURTIS. To whom is that?

Senator WILLIAMS. This is not dated; nor is it addressed to anybody. But I can identify it a little later here as to just who got it.

Senator CURTIS. And where does Mr. Adams live?

Senator WILLIAMS. I will identify that later. I have a letter here of Walter Adams, signed on the stationery of the Michigan State University. There are two options which by themselves may not mean much, but I think I can connect them together. I am using these to show the amounts. The second is an option signed by Eddie Adams where he is selling his interest in this company for the sum of \$8,000. I will submit both of these for the record.

Senator CLARK. How much stock?

Senator WILLIAMS. It is referred to as units. Later, it develops there are 3,600-and-some-odd shares, which I will follow through.

1800 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

(The documents referred to are as follows:)

WILLIAMS EXHIBIT 2

I, Walter Adams, hereby sell all of my interest in three units of Mortgage Guaranty Insurance Corporation, 606 West Wisconsin Avenue, Milwaukee, Wisconsin, for the sum of \$4,000.00.

I hereby acknowledge receipt of a check for \$4,000.00, in full payment for the said stock aforementioned.

Walter Adams (Witness) Walter Adams (Signed)

WILLIAMS EXHIBIT 3

I, Eddie Adams, hereby sell all of my interest in three units of Mortgage Guaranty Insurance Corporation, 606 West Wisconsin Avenue, Milwaukee, Wisconsin, for the sum of \$8,000.00.

I hereby acknowledge receipt of a check for \$8,000.00, in full payment for the said stock aforementioned.

Maggie W. Tucker (Witness) Eddie Adams (Signed)

Senator WILLIAMS. Now, on the date of February 10, 1960—and I might say these dates prove rather significant, as I will show later. This letter, signed by Walter Adams:

DEAR MR. BAKER: Thank you so much for the \$4,000 check in payment for three units of MGIC stock.

I appreciate your thoughtfulness in connection with this investment opportunity.

Sincerely,

WALTER ADAMS.

And a P.S. sends regards to Maggie Tucker.

Senator SCOTT. You said 3 units, and you earlier referred to 3,600 units. Is that 3 or 3,000?

Senator WILLIAMS. It ends up he had 3,600-and-some-odd shares, which I will show later, and apparently these units must have been broken down. The reason for this is not quite clear. These letters are dated just immediately before the approval by the Securities and Exchange Commission of a sale of this stock.

Senator CLARK. What is the date?

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1801

Senator WILLIAMS. This was February—well, the option was not dated. The letter of Adams acknowledging it was February 10.
(The letter referred to follows:)

WILLIAMS EXHIBIT 4

MICHIGAN STATE UNIVERSITY EAST LANSING

COLLEGE OF BUSINESS AND PUBLIC SERVICE
DEPARTMENT OF ECONOMICS

10
2/10/60

Dear Mr Baker,

Thank you so much
for the \$4.00 check in payment
of for 3 units of MIC stock.

I appreciate your
thoughtfulness in connection with
this investment opportunity.

Sincerely,
Walter Adams

Regards to Margaret Tucker!

Senator CLARK. What year?

Senator WILLIAMS. 1960. I have here a letter on the stationery of Tucker & Baker, here in Washington. This is dated February 8, 1960. And this is addressed to Mr. Max H. Karl, the president of the Mortgage Guaranty Insurance Corp., 606 West Wisconsin Avenue, Milwaukee, Wis.

DEAR MAX: This morning I purchased the 10 units of stock previously purchased by Eddie Adams and Walter Adams.

When the stock is finally approved for distribution by the SEC, would you list these 10 units in the name of Alfred S. Novak and Gertrude C. Novak?

1802 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

A copy of your annual report was received this morning. It is most encouraging. Would you check with our banker and determine how much interest will be due around the first of March with the \$1,000?

Thank you for your many courtesies, and with every good wish, I remain,
Very sincerely,

ROBERT G. BAKER.

(The letter referred to follows:)

WILLIAMS EXHIBIT 5

The Hon. J. B. Baker

SUITE 606 HEADQUARTERS BUILDING
2000 F STREET, N. W. AT DUPONT CIRCLE
WASHINGTON 6, D. C.

U. S. SENATE
EAST WING
TELEPHONE 5000

February 8, 1960

Mr. Max H. Karl
President
Mortgage Guaranty Insurance Corporation
606 West Wisconsin Avenue
Milwaukee 3, Wisconsin

Dear Max:

This morning, I purchased the 10 units of stock previously purchased by Eddie Adams and Walter Adams.

When the stock is finally approved for distribution by the S.E.C., would you list these 10 units in the name of Alfred S. Novak and Gertrude C. Novak.

A copy of your annual report was received this morning. It is most encouraging. Would you check with our banker and determine how much interest will be due around the first of March with the \$1,000.00?

Thank you for your many courtesies and with every good wish, I remain,

Very sincerely,

Robert G. Baker

RGB/t

Senator WILLIAMS. Here is a memo from the First Wisconsin Trust Co., the stock transfer department, which refers to this as 3,680 shares of the Mortgage Guaranty Insurance Corp. capital stock that is being transferred to Alfred S. Novak and Gertrude C. Novak, 5502 Montgomery Street, Chevy Chase, Md. And this transfer is dated November 8, 1960.

I do not understand just why it was held up that long in transferring. I offer that for the record.

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1803

(The memo referred to follows:)

WILLIAMS EXHIBIT 6

FIRST WISCONSIN TRUST COMPANY
Stock Transfer Department

We have received for transfer 3680 shares of Mortgage Guaranty Insurance Corporation
Capital Stock. To complete this transfer,

Kindly furnish us with the following:

- ☒ Transfer tax in the amount of \$ 29.44.
- ☐ Complete address of the transferee
- ☐ Documents

Alfred S. Novak and
Gertude C. Novak
5502 Montgomery Street
Chesvy Chase 15, Maryland

Reference # 154328.
Trust # 9844
Date 11/8/60

Ed. # 29.44
11-14-60
ckp 97

Senator WILLIAMS. Now, here is a worksheet which I will leave with the committee which shows this same stock, which is referred to as being issued on March 8, 1960. It gives the list of the sales, the manner in which this stock is sold. And this breaks down, 200 shares being sold March 24, another 200-share lot later, and altogether it totals a sale of 3,000 shares of stock for \$66,889.86. Subtracted from that is the \$12,000—the original investment.

Now, my information was—and this supports it, apparently—that Robert Baker did not put up any money at all but that he entered into an arrangement with Mr. Novak, who was his business partner in other real estate developments, to advance all of the \$12,000 with the understanding that after he had recovered his \$12,000 he would split the profit over and above. So, therefore, this worksheet, which I will submit for the record, shows this \$12,000 being subtracted, and after dividing, it leaves \$27,444.93 to be distributed to each.

I might say this worksheet has not been verified. However, I do have a letter which I think will substantiate the worksheet. I have here a letter dated May 15, 1961—and I might say this worksheet shows that the \$27,444.93 was for Robert Baker, and that left the other \$27,443 profit to go to his partner, Mr. Novak.

Senator CLARK. Is the worksheet dated?

Senator WILLIAMS. No; the worksheet is not dated.

Senator CLARK. Do you have any idea when it was prepared?

Senator WILLIAMS. Yes; it would have to be prepared just before—it refers to a date here of April 26, 1961—that is the last date referred to. But I have here a letter of May 15, 1961, which does go right directly back to the worksheet, which dates it. This letter is on the Senate of the United States stationery, and it is addressed to Mr. Alfred S. Novak.

DEAR AL: This letter is to acknowledge receipt of \$27,444.93 which is my one-half of the receipts from the sale of 3,000 shares of Mortgage Guaranty Insurance Corp. stock which you purchased for yourself and myself March 8, 1960.

As you know, we received a total of \$66,889.86 from the sale of this stock. This stock cost us \$4,905 each. Our capital gains tax will be based upon a profit of \$28,539.93 each.

1804 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

This letter should be kept as a part of your tax files since I will file my tax showing the gains as indicated in this letter.

Sincerely yours,

BOBBY.

I submit that letter to the record.

That letter confirms the exact figures that are on this worksheet throughout. And I might say this worksheet indicates that the stock had a cost of \$3.27 average per share.

(The worksheet and letter referred to are as follows:)

WILLIAMS EXHIBIT 7

7

Paid #	2-9-60	\$ 12,000.00	
✓	11-14-60	29.44	Transfer fee
	Cost	<u>\$12,029.44</u>	or \$3.27 per share

Stock Issued MAR. 8, 1960

Sold	Mortgage Guaranty Ins.	Net Amount
3-24-61 200 shares		4,431.20
3-24-61 200 ✓		4,381.74
3-24-61 200 ✓		4,332.24
3-24-61 500 ✓		10,459.50
3-24-61 300 ✓		6,424.15
3-24-61 300 ✓		6,424.15
<u>1700</u>		
3-27-61 100 ✓		2,166.12
3-28-61 200 ✓		4,381.74
4-4-61 1000 ✓		23,889.02
3,000 shares - TOTAL Net Sales		<u>66,889.86</u>
	Less	12,000.00
	Split .2	<u>54,889.86</u>
		27,444.93

Paid Robert G. Baker

4-12-61	691	\$ 5,000.00
4-17-61	6114	15,000.00
4-26-61	6137	<u>7,444.93</u>
		27,444.93

1500 shares @ \$3.27 ea = \$ 4,905.00
 Sale price on 1500 shares = 33,444.93
 Net profit on 1500 shares = 28,539.93

(4)

WILLIAMS EXHIBIT 8

ROOM F-20
THE CAPITOL

CAPITOL 4-3121
EXT. 3738

United States Senate

ROBERT G. BAKER
SECRETARY FOR THE MAJORITY

May 15, 1961

Mr. Alfred S. Novak
5502 Montgomery Street
Chevy Chase, Maryland

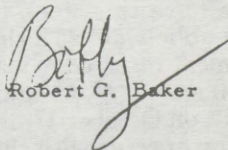
Dear Al:

This letter is to acknowledge receipt of \$27,444.93 which is my one-half of the receipts from the sale of 3,000 shares of Mortgage Guaranty Insurance Corporation stock which you purchased for yourself and myself March 8, 1960.

As you know, we received a total of \$66,889.86 from the sale of this stock. This stock cost us \$4,905.00 each. Our capital gains tax will be based upon a profit of \$28,539.93 each.

This letter should be kept as a part of your tax file since I will file my tax showing the gains as indicated in this letter.

Sincerely yours,


Robert G. Baker

RGB:t

Senator CLARK. Do you have the average sales price?
Senator WILLIAMS. Well, they sold 3,000 shares for \$66,889. It is not marked here.

Senator CURTIS. Will you give me the date again—I understand you don't have the date for the option. But the date of the arrangement by Adams, and the date of the ruling by the SEC.

Senator WILLIAMS. The SEC, which I was coming to later, I can give you. The SEC—I will read from their letter:

The Mortgage Guaranty Insurance Corp. (MGIC) and Guaranty Insurance Agency, Inc., both Wisconsin corporations with offices in Milwaukee, Wis., jointly filed with the Commission on September 23, 1959, a registration statement on form S-1 for a concurrent offering of 40,000 shares of MGIC's \$10 par value common stock and 10,000 shares of Agency's \$5 par value common stock, to be offered in units consisting of 4 shares of MGIC common stock and 1 share of Agency common stock at \$115 per unit. There were several telegraphic delaying amendments filed; and preeffective amendments were filed on December 28, 1959, and February 8, 1960.

I might say February 8, 1960, is the same date of the letter which I referred to as addressed from Bobby to Max Karl, confirming the fact that he had bought this stock and put it in his name.

On February 25, 1960—

continuing from the SEC letter—

Senator CLARK. What date?

Senator WILLIAMS (reading):

On February 25, 1960, this registration statement was declared effective as of such date by order of the Commission.

Now, since that question has come up, I will depart from the statement to show you why I think that is significant.

The SEC report, their prospectus for No. 921-312, for the Mortgage Guaranty & Insurance Corp., of Milwaukee, provided for the issuance of 40,000 shares, as they referred to here and which they said was declared effective on February 25, subsequent to the ruling of March 8.

It is interesting to note that based on this prospectus, which I will put in the record so that you can get the whole reference—this stock was sold to the public at \$25 per share on that date as a public offering. It was approved for sale. And this was the same period in which Bobby was buying his for the \$3.27, which did raise questions in my mind.

I will incorporate with this report of the SEC document, reference to it on here, which shows that this was being sold in units of \$115 each, and it says:

Each unit shall consist of four shares of the common stock of the Mortgage Guaranty Insurance Corp. at \$25 per share, and one share of the common stock of the Guaranty Insurance Agency at \$15.

So here we have this stock being sold—the same day that Bobby bought his—publicly at \$25 a share. And I submit that for the record. (The document referred to may be found on p. 1807.)

Senator WILLIAMS. Now, again, a rather interesting notation. Subsequent to that, on October 17, 1961, the Mortgage Guaranty Insurance Corp. filed a prospectus with the SEC to sell 236,340 additional shares of stock. And this time the stock was sold at \$27.50 per share. While there is perhaps no connection to this previous sale, in that prospectus I found a rather significant memorandum which I thought may be pertinent to this particular point. And I submit it to the committee. I will read it.

The 236,340 shares offered hereby include 36,340 shares being sold by Henry A. Bubb (11,500 shares), Max H. Karl (15,640 shares) and Paul J. Rogan (9,200 shares), officers and directors of MGIC. The shares were purchased from MGIC on original issue by these individuals in June 1960 (9,200 shares), July

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1807

1960 (23,000 shares) and September 1960 (4,140 shares) for \$2.50 per share (after adjustment for a subsequent stock split), and were intended, such individuals have informed the company, to be used by them for resale at the purchase price to advance the interests of MGIC, in the manner described below.

Beginning in February 1960—

that is when this deal we are speaking of—

Beginning in February 1960, and continuing until October of that year, MGIC was offering its common stock at \$2.50 per share (as adjusted). As indicated elsewhere, the original intent was to offer these shares to selected executives of savings and loan associations and other persons employed or otherwise having an interest in the mortgage lending industry, particularly in States where MGIC was then licensed to do business.

(The document referred to on p. 1806 follows:)

921 312

WILLIAMS EXHIBIT 9

MORTGAGE GUARANTY INSURANCE CORPORATION

(A Wisconsin Corporation)

40,000 Shares

Common Stock, Par Value \$10 Per Share

GUARANTY INSURANCE AGENCY, INC.

(A Wisconsin Corporation)

10,000 Shares

Common Stock, Par Value \$5 Per Share

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE ARE SPECULATIVE SECURITIES

The common stock is being offered only in units consisting of four shares of common stock of Mortgage Guaranty Insurance Corporation and one share of common stock of Guaranty Insurance Agency, Inc. The common stock of both companies has been closely held and there has been no quoted market thereon.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Mortgage Guaranty Insurance Corporation(1)	Proceeds to Guaranty Insurance Agency, Inc.(2)
Per Unit(3)	\$ 115.00	None	\$ 100.00	\$ 15.00
Total	\$1,150,000.00	None	\$1,000,000.00	\$150,000.00

- (1) Before deduction of expenses, estimated at \$17,500, to be paid by Mortgage Guaranty Insurance Corporation in connection with the issuance and sale.
- (2) Before deduction of expenses, estimated at \$5,375, to be paid by Guaranty Insurance Agency, Inc. in connection with the issuance and sale.
- (3) Each unit consists of four shares of common stock of Mortgage Guaranty Insurance Corporation at \$25 per share and one share of common stock of Guaranty Insurance Agency, Inc. at \$15 per share.

The date of this Prospectus is February 25, 1960.

1808 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

Senator WILLIAMS. I will ask that this whole report appear in the record, and you can get the remainder of the reports from the SEC itself.

(The report referred to follows:)

WILLIAMS EXHIBIT 10

PROSPECTUS

236,340 Shares

Mortgage Guaranty Insurance Corporation

Common Stock

(\$1 Par Value)

Of these shares, 200,000 are being issued and sold by the Company and 36,340 are outstanding shares being sold by the shareholders of the Company named herein under "Selling Shareholders."

THESE ARE SPECULATIVE SECURITIES

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Commissions (1)	Proceeds to Company (2) From Sale By Company of 200,000 Shares	From Sale By Selling Shareholders of 36,340 Shares (3)	Proceeds to Selling Shareholders From Sale of 36,340 Shares (3)
Per Share	\$27.50	\$2.20	\$25.30	\$22.80	\$2.50
Total	\$6,499,350	\$519,948	\$5,060,000	\$828,552	\$90,850

- (1) The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.
- (2) Before deducting expenses payable by the Company, estimated at \$102,000.
- (3) Out of the net proceeds from the sale by the Selling Shareholders of these 36,340 shares (see "Selling Shareholders" herein) such shareholders will receive an amount equal to the original issue price of \$2.50 per share paid by them (after adjustment for a subsequent stock split), and the remainder of such net proceeds will be paid to the Company.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters propose to offer, at the public offering price, approximately 86,000 shares to persons suggested by the Company. See "Underwriting".

The 236,340 shares offered hereby are not being sold or proposed for sale in New York State.

The offering by the Underwriters is subject to prior sale, to withdrawal, cancellation or modification without notice, to receipt and acceptance of the 236,340 shares by the Underwriters, to the approval of their counsel and to certain other conditions. It is expected that delivery of the Common Stock and payment therefor will be made on or about October 26, 1961.

Among the Underwriters named herein is:

BACHE & CO

The date of this Prospectus is October 17, 1961.

PENDING LEGAL PROCEEDINGS

On December 6, 1960, a suit was filed against MGIC by Mortgage Guaranty Insurance Agency, an Arizona corporation (not affiliated with MGIC), in the Superior Court of Arizona for Maricopa County. This suit was transferred by MGIC to the United States District Court in Phoenix, Arizona, on January 9, 1961, where it is now pending. The complaint alleges an unlawful termination of an agency and claims damages in the amount of \$750,000. The Company has filed an answer denying liability and has been advised by its counsel, Foley, Sam-

mond & Lardner, that the Company was entitled to terminate the contract and that even if this were not the case, damages for the termination would be nominal.

LEGAL OPINIONS AND EXPERTS

Legal matters pertaining to the Common Stock offered hereby will be passed upon by Messrs. Foley, Sammond & Lardner, 735 North Water Street, Milwaukee 2, Wisconsin, as counsel for MGIC and the Selling Shareholders, and by Messrs. Sullivan & Cromwell, 48 Wall Street, New York, New York, as counsel for the Underwriters.

The financial statements in this Prospectus, to the extent covered by their opinion included herein, have been included in reliance upon the opinion of Fontaine, McCurdy & Company, Milwaukee, Wisconsin, and upon their authority as experts in auditing and accounting.

SELLING SHAREHOLDERS

The 236,340 shares offered hereby include 36,340 shares being sold by Henry A. Bubb (11,500 shares), Max H. Karl (15,640 shares) and Paul J. Rogan (9,200 shares), officers and directors of MGIC. These shares were purchased from MGIC on original issue by these individuals in June 1960 (9,200 shares), July 1960 (23,000 shares) and September 1960 (4,140 shares) for \$2.50 per share (after adjustment for a subsequent stock split), and were intended, such individuals have informed the Company, to be used by them for resale at the purchase price to advance the interests of MGIC, in the manner described below.

Beginning in February 1960, and continuing until October of that year, MGIC was offering its Common Stock at \$2.50 per share (as adjusted). As indicated elsewhere, the original intent was to offer these shares to selected executives of savings and loan associations and other persons employed or otherwise having an interest in the mortgage lending industry, particularly in states where MGIC was then licensed to do business. Prior to the cessation of this offering, the above-named officers of MGIC (who had been authorized by its Board of Directors to determine the allocation of shares being sold) decided that the 36,340 shares referred to above should be purchased by them with the intent that at some future time, without profit to themselves, such shares be resold by them to persons associated with the mortgage lending industry in states in which MGIC might become newly licensed, or otherwise used in the interests of the Company. Because of the substantial disparity which now exists between the issuance price of these shares and the current market price of MGIC Common Stock, and because of legal restrictions preventing repurchase by MGIC of these 36,340 shares, Messrs. Bubb, Karl and Rogan have decided to sell such shares as a part of the shares offered hereby. Of the net proceeds from the sale of such 36,340 shares, Messrs. Bubb, Karl and Rogan will be paid the sum of \$2.50 for each share sold by them, and the remainder of such proceeds will be paid to MGIC as a contribution to its paid-in surplus account.

As of September 15, 1961, Messrs. Bubb, Karl and Rogan owned respectively 34,316, 65,654 and 10,304 shares of Common Stock of MGIC, in each case exclusive of the shares being sold by them as described above.

Senator WILLIAMS. But I was interested in this comment that beginning in February 1960 these shares were being offered at these bargain prices to individuals, to use their own terms, "or otherwise used in the interests of the company." And while I am making no specific charges, I do say that it does raise questions which I felt could very properly be asked Mr. Baker as to how and why he was selected as one—was tipped off to get this particular stock.

Senator CLARK. What was the price to the selected executives?

Senator WILLIAMS. The selected executives' price was \$2.50 per share.

The CHAIRMAN. What did you say Bobby paid for his?

Senator WILLIAMS. \$3.27, according to his worksheet.

Senator CLARK. Max Karl has 11,000 of these shares for sale at this low price?

Senator WILLIAMS. According to this, they were divided up between Henry A. Bubb, Max Karl, and Paul J. Rogan.

Senator CLARK. Wasn't Max Karl named as a friend of Bobby's, earlier in your testimony? I thought you used the name Max Karl earlier.

Senator WILLIAMS. Only to the effect that Bobby, on February 8, wrote a letter to Max Karl, as president of the Mortgage Guaranty Insurance Co., and his letter is addressed, "Dear Max."

Senator CLARK. Is that with reference to this sale?

Senator WILLIAMS. No. It just says:

This morning I purchased the 10 units of stock previously purchased by Eddie Adams and Walter Adams. When the stock is finally approved for distribution by the SEC, would you list these 10 units in the name of Alfred S. Novak and Gertrude C. Novak.

The CHAIRMAN. Senator Williams, who are the Adamses? Do you know who they are?

Senator WILLIAMS. No; I do not. I have heard that one of them was employed as a professor in Michigan State University. But I would not want that to be accepted as accurate, but I think that may be correct. It would be easy to find out.

The CHAIRMAN. Did Mr. Adams—I gather Mr. Adams bought this at \$2.50 per share, and sold it to Bobby for \$3.27?

Senator WILLIAMS. I do not know the details of that background.

The CHAIRMAN. Well, Bobby didn't—

Senator WILLIAMS. I am only presenting this on the basis of what information I did have. Beyond that I am not aware of—

Senator COOPER. May I ask—

Senator WILLIAMS. In the SEC prospectus it was indicated this was going to be distributed to individuals who were in a position to further the interests of the company.

The CHAIRMAN. At \$2.50 per share?

Senator WILLIAMS. At \$2.50 per share.

The CHAIRMAN. Well, how come Bobby paid \$3.27?

Senator WILLIAMS. That is—

Senator CLARK. It might have been the profit for the Adamses.

Senator WILLIAMS. It could be a profit for the Adamses. And it could be it was siphoned through, maybe to cover the track of it. And I might say, in addition, I think it would be well for the committee to find out where all of this additional stock did go and into whose hands it ultimately went. It may be pertinent to this inquiry, and it may not.

Subsequently, this Mortgage Guaranty Insurance Corp. in Milwaukee did merge with the Mortgage Guaranty Insurance Corp. of Florida, and so, therefore, the two will be tied together. I submit here a copy of this plan of merger. And I submit that because I think that in determining the distribution of this 36,400 shares you may find it involves in part this merger.

(The document referred to may be found on p. 1811.)

The CHAIRMAN. Was that sale of February 8, at \$2.50 a share, available to the public at that time?

Senator WILLIAMS. It would be my understanding that it was not, because February 8 was the final amendment that was filed with the Securities and Exchange Commission to obtain their approval for selling to the public at \$25 a share. So I would assume that they

WILLIAMS EXHIBIT 11

PLAN OF MERGER

between
Mortgage Guaranty Insurance Corporation of Florida
and
Mortgage Guaranty Insurance Corporation

-
1. Mortgage Guaranty Insurance Corporation of Florida is to be merged into and become a part of Mortgage Guaranty Insurance Corporation, which shall be the surviving corporation.
 2. The surviving corporation shall continue to be a corporation organized under the laws of the State of Wisconsin and shall maintain its principal office in Milwaukee, Wisconsin.
 3. All the assets of MGIC of Florida are to become those of the surviving corporation on the effective date of the merger, and all liabilities of MGIC of Florida are to be assumed by the surviving corporation as of the effective date of the merger.
 4. The Articles of Incorporation and By-Laws of Mortgage Guaranty Insurance Corporation, as heretofore amended, shall be and become the Articles of Incorporation and By-Laws of the surviving corporation.
 5. The Directors and Officers of Mortgage Guaranty Insurance Corporation shall serve in their respective capacities as Directors and Officers of the surviving corporation.
 6. Of the 20,000 shares outstanding of MGIC of Florida, 15,186 are held by Guaranty Insurance Agency, Inc. These shares will be paid for by the surviving corporation at \$20.00 per share, or an aggregate amount of \$303,720.00.
 7. The remaining shares of MGIC of Florida shall be converted into shares of the surviving corporation as follows:
 - (a) Shares of MGIC of Florida shall be converted only in units of five shares, each unit to be valued at \$100.00 for the purposes of the Plan of Merger.
 - (b) The holder of each unit of MGIC of Florida shall receive therefor a unit consisting of four shares of MGIC and one share of Guaranty Insurance Agency, Inc., of an aggregate value of \$115.00, the holder of each unit of MGIC of Florida to pay an additional \$15.00 in cash.
 - (c) Holders of any shares of MGIC of Florida less than a full unit may convert the same into shares of the surviving corporation, as provided in (b) above, by adding thereto the sum of \$20.00 for each share less than a full unit.
 8. The surviving corporation shall pay all the expenses of carrying this Plan of Merger into effect.
 9. On the effective date of the merger the surviving corporation shall succeed to and shall possess and enjoy all the rights, privileges, powers and franchises, and all property, real, personal and mixed, and shall be subject to all the restrictions, disabilities, duties and obligations of Mortgage Guaranty Insurance Corporation and Mortgage Guaranty Insurance Corporation of Florida, including without limitation any duties, obligations or liabilities to policyholders.

1812 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

would not be selling the stock at \$2.50 on February 8 when they were planning to offer it to the public immediately thereafter at \$25. But, anyway, the record shows that around this date—and Bobby's letter does pin down February 8—around this date Bobby did obtain this stock at \$3.27 a share, approximately that, and that it was subsequently sold—there is the 3,000 shares. Now, here I have—

Senator COOPER. On what date was it to be offered to the public at \$25?

Senator WILLIAMS. The Securities and Exchange Commission said there were several telegraphic delaying amendments filed, and pre-effective amendments were filed on December 28, 1959, and February 8, 1960.

On February 25, 1960, this registration statement was declared effective as of such date by order of the Commission.

Now, on January 17, 1963, tracing the remainder of these 3,600 shares through, I have here a report from a broker, Doyle, O'Connor & Co., of Chicago, which shows the sale of 514 shares of this stock for a net \$14,386.24. This is an average of \$27.98 per share.

And it is sold in the name of Gertrude Novak, care of Mr. Max Karl, of the Mortgage Guaranty Insurance Corp., of Milwaukee.

(The report referred to follows:)

WILLIAMS EXHIBIT 12

Gertrude Novak
c/o Mr. Max Karl
Mortgage Guaranty Co.
600 Marine Plaza
Milwaukee 2, Wisconsin

DOYLE, O'CONNOR & CO., INC.
135 S. LA SALLE STREET
CHICAGO, 3

1/17/63

		<i>Reported Balance Sheet</i>	
14 Shw. 500 Shw.	<u>PURCHASED FROM YOU</u>		
	MORTGAGE GUARANTEE	392 84	
	" "	13,994 40	
		14,386 24	
<u>CHECK HEREWITH</u>		514	14,386 24
$ \begin{array}{r} 27.98 \\ 514 \overline{) 14,386.24} \\ \underline{1028} \\ 4106 \\ \underline{3598} \\ 5082 \\ \underline{4564} \end{array} $			

Senator WILLIAMS. But I have a letter on the stationery of the Mortgage Guaranty Insurance Corp., of Milwaukee, dated January 18, 1963, the following day.

Mr. ROBERT G. BAKER,
Senate Office Building,
Washington, D.C.

DEAR MR. BAKER: Enclosed is check from Doyle, O'Connor & Co., Inc., in the amount of \$14,386.24, made payable to Gertrude Novak, which represents the purchase price for 514 shares of MGIC stock.

Very sincerely yours,

(Signed) MARY JANE JOHNSTON,
Mrs. Mary Jane Johnston,
Secretary to Mr. Karl.

(The letter referred to follows:)

WILLIAMS EXHIBIT 13

MORTGAGE GUARANTY INSURANCE CORPORATION

600 MARINE PLAZA · MILWAUKEE 2, WISCONSIN

BROADWAY 2 FLOOR

MAX H. KARL
PRESIDENT

January 18, 1963

Mr. Robert G. Baker
Room F-80, Senate Office Bldg.
Washington, D. C.

Dear Mr. Baker:

Enclosed is check from Doyle, O'Connor & Co., Inc. in the amount of \$14,386.24, made payable to Gertrude Novak, which represents the purchase price for 514 shares of MGIC stock.

Very sincerely yours,

Mary Jane Johnston

(Mrs.) Mary Jane Johnston
Secretary to Mr. Karl

MJJ
Enclosure

1814 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

Senator WILLIAMS. And on this memo, I find the penciled notation that it is deposited in the Carousel account. Again on February 6, 1962, from Kidder, Peabody & Co., marked "Mr. Robert Baker, care of Mr. Paul J. Rogan, the Mortgage Guaranty Insurance Corp., in Milwaukee," the sale of 100 shares of Mortgage Guaranty stock for \$3,023.80.

(The document referred to follows:)

WILLIAMS EXHIBIT 14

9814 Kidder, Peabody & Co. 17 WALL STREET NEW YORK 188 SOUTH BROAD ST. PHILADELPHIA	Chicago 3, Illinois 78 FEDERAL STREET BOSTON 32 SOUTH CLARK ST. CHICAGO
DATE <u>12/5/62</u>	
Robert Baker c/o Mr. Paul Rogan Mortgage Guaranty Insurance Co. Marine Plaza Suite 600 Milwaukee 2, Wisconsin	ACCT. NO. <u>W50-0065</u>

WE HAVE TODAY CHARGED YOUR ACCOUNT AS FOLLOWS:

Check to order: Payment 100 Mtg Gty Insurance Corp. <i>Deposited Carousel Acct</i>	\$3023.80
---	------------------

sd 12/5

COUNTERSIGNED FMS Kidder, Peabody & Co.

Senator WILLIAMS. I have another letter, dated December 10, 1962. It is on the Mortgage Guaranty Insurance Corp. stationery, listing Max Karl, president, and addressed to Mr. Robert G. Baker, Room F-80, Senate Office Building, Washington, D.C.

DEAR MR. BAKER: Enclosed is Kidder, Peabody & Co. check in the amount of \$3,023.80 which represents the purchase price of 100 shares of MGIC stock which were recently sold.

Again, this letter is signed by Mrs. Mary Jane Johnston, who is designated here as the secretary to Mr. Karl. This likewise is marked "Deposited in the Carousel account." I have another hundred-share sale, Petersburg Mutual Savings & Loan Association, purchase for \$3,100 of 100 shares of stock, which likewise is marked "Deposit in the Carousel account."

(The letter and document may be found on p. 1815.)

Senator SCOTT. What is the date of that?

Senator WILLIAMS. The third sale is — I don't see the date on the notice of the Petersburg Mutual Savings & Loan Association, but I do find that on December 3, 1962, this letter, which will clear it up, as identifying the sale. And, again, this is on the Mortgage Guaranty Insurance Co. stationery in Milwaukee—December 3, 1962.

DEAR BOBBY: Enclosed is a check covering the sale of 100 shares of MGIC stock.

The settlement date for the sale of the second 100 shares is December 5, and you will undoubtedly receive the proceeds of that transaction by the end of the week.

Sincerely,

MAX.

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1815

WILLIAMS EXHIBIT 15

MORTGAGE GUARANTY INSURANCE CORPORATION
600 MARINE PLAZA - MILWAUKEE 2, WISCONSIN
BROADWAY 2-8000

MAX H. KARL
PRESIDENT

December 10, 1962

Mr. Robert G. Baker
Room F-80, Senate Office Bldg.
Washington, D. C.

Dear Mr. Baker:

Enclosed is Kidder, Peabody & Co. check in the amount of \$3023.80 which represents the purchase price of 100 shares of MGIC stock which were recently sold.

Very truly yours,

Mary Jane Johnston

(Mrs.) Mary Jane Johnston
Secretary to Mr. Karl

MJJ
Enclosure

WILLIAMS EXHIBIT 16

PETERSBURG MUTUAL SAVINGS AND LOAN ASSOCIATION
PETERSBURG, VIRGINIA



ACCOUNT NO.	DESCRIPTION	NET AMOUNT
	Cash exchange check --William A. Patton	3,100.00
	purchase 100 shares stock	
	<i>Deposited Carousal Account</i>	

ATTACHED CHECK IS IN SETTLEMENT OF ACCOUNT AS STATED ABOVE. PLEASE DETACH BEFORE DEPOSITING

1816 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

Underneath is listed "Max Karl." I will offer this letter.
(The letter referred to follows:)

WILLIAMS EXHIBIT 17

MORTGAGE GUARANTY INSURANCE CORPORATION

800 MARINE PLAZA • MILWAUKEE 2, WISCONSIN

BROADWAY 2 ROOM

MAX H. KARL
PRESIDENT

December 3, 1962

Dear Bobby:

Enclosed is a check covering the sale of 100 shares
of MGIC stock.

The settlement date for the sale of the second 100
shares is December 5, and you will undoubtedly
receive the proceeds of that transaction by the end
of the week.

Sincerely,

Max
Max H. Karl

MHK:mjj

Enclosure

Mr. Robert G. Baker
Room F-80, Senate Office Bldg.
Washington, D. C.

The CHAIRMAN. Senator Williams, have you talked to this Max Karl?

Senator WILLIAMS. No; I have not.

The CHAIRMAN. Do you know him?

Senator WILLIAMS. No; I do not.

The CHAIRMAN. Where did you get all this information?

Senator WILLIAMS. Well, I think the committee will find out, but I would prefer leaving that out. There will be a witness whom I will suggest later that can testify to the committee and identify this same material.

The CHAIRMAN. Well, that answers my question.

Senator WILLIAMS. Yes; it will be identified, but I would prefer it being identified by the witness, if you will.

The CHAIRMAN. That is all right.

Senator COOPER. May I ask a question that might be obvious? But what significance do you attach to this? Is it the fact that this offering at a lower price was made to Baker just before the offer was made to the public—has it some connection with these people that you have named? Or is it the fact going to the later distribution of this stock?

Senator WILLIAMS. No. I have not reached any firm conclusions as to just what I do think on this. That is the reason that I wanted to talk to Bobby, and I also want to talk to Mr. Karl and others. I think it should be followed through. I do not have the facilities with which to do that. I do feel that there were, very properly, questions that could be raised.

Here you had the company filing their application; application was pending with the Securities and Exchange Commission to sell public this stock at \$25 per share. The final amendment—one was filed December 28, 1959, which was close; the other, February 8, 1960, which is the same date on which some of this correspondence is dated. And then on February 25, which is only 17 days later, the Securities and Exchange Commission said that the order was made effective to sell this stock public at \$25 per share.

I do feel that it is a very proper question to ask just why this is any more than just a lucky investment. I find no fault with the fellow buying stock, and if it can triple or multiply a thousand times I will give him full credit if it is a lucky break he gets, or if it is based on his own examination of the company's records and files; I mean their financial statements—just normal investment. But I think it does raise questions in this particular instance; it is a question which I think should be examined.

Here you had an application pending before one agency of the U.S. Government, the Securities and Exchange Commission, which they wanted approved. They also had an application pending before the Treasury Department for a ruling.

The CHAIRMAN. For what?

Senator WILLIAMS. For a ruling as to their tax liability, which was very important to them.

The CHAIRMAN. Who asked for that? The insurance company?

Senator WILLIAMS. The Mortgage Guaranty Insurance Corp. Now, I will refer to their own comments of July 19, 1960. And I might say I do not know what date this ruling was approved. It may have been approved prior to these dates, and you may decide there is no significance. I have asked the Treasury Department for a copy of this ruling, but as yet have not received a reply. In the semiannual report to the stockholders on July 19, 1960, as distributed by the president, Max H. Karl, I find this paragraph:

Tax ruling: A very important development was the reversal of a ruling by the Treasury Department which had declared our contingency reserve taxable income. The reversal means that our contributions to that fund will be taxed only after they have been held for 15 years. This will insure not only maximum reserves for unusual losses that may occur during stress periods, but will substantially increase our investment income in years to come.

Now, as I say, there may be no connection with this, but I do think that they raise very proper questions as to what connection, if any, Baker or others had had with this particular agency, or just why the company felt he would be in a position to help them, because by their

own statement this stock was going to be distributed to persons who could promote the interests of the company.

You have this situation, again, which raised a question. If this was a normal investment why would it be put in another man's name? It was put in another man's name with the understanding that this other man would advance all of the money and would split the profits therefrom. It may be a perfectly normal transaction, but questions were in my mind. I suggested it to Senator Mansfield. I told him I thought it was very proper to ask this question of Bobby.

Senator CURTIS. Now, may I ask something? Have you had an opportunity—and I know you have tremendous duties, separate and apart from this activity—to inquire of the Securities and Exchange Commission for a list of all of their officers and employees that have had anything to do with the business transactions of this Milwaukee Mortgage Guaranty Insurance Co., and also to secure from the Securities and Exchange Commission a list of all attorneys, friends, Government officials, employees, or others, who may have contacted them in behalf of the insurance company?

Senator WILLIAMS. No; I have not. They are very proper questions. But the reason that I did not ask this—after the resolution was adopted and approved, I knew this committee was going to check it, and I thought they were questions that could more properly be determined by the committee. I am only submitting to you what I have been able to develop thus far. I expect you could get the information better than I.

I will submit for the record, however, a letter from the Securities and Exchange Commission, signed by William L. Cary, which was submitted to me under date of October 28, 1963. This confirms not only the paragraph which I read, but in greater detail outlines the applications of this particular company as they have been filed with that agency.

I do not have the additional information which Senator Curtis referred to. I think that would be pertinent, but I am sure you could get that information.

Senator CLARK. John, what was the date of the favorable tax ruling from the Treasury?

Senator WILLIAMS. I don't have the date on that. It was referred to in the letter—

Senator CLARK. Was it subsequent to the filing of the prospectus?

Senator WILLIAMS. That is what I don't have. I don't have the exact date. I had hoped to have this by today. My inquiry has been out for several weeks, or a considerable period, but I have not received a reply yet.

Senator CANNON. Mr. Chairman, could I ask a question or two to try to get this clarified in my own mind? As I understand it, then, there is no contention that Mr. Baker as an individual would not be perfectly proper in investing in any type of stock and making any kind of profit on his own initiative, so long as it didn't involve the question of any improper influence; is that right?

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1819

Senator WILLIAMS. As far as I am concerned—I am not suggesting that there is anything illegal in Baker investing money or making money. I do think that in the light of the sale at this substantially reduced price, which I am reasonably certain was not available to the public because if it had been, their sale would not have been a success at the \$25 or \$27.50 per share—I do think that a question should be raised as to why or just how he got tipped off or cut in on this particular deal.

(The letter referred to follows:)

WILLIAMS EXHIBIT 18



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON 20549 D. C. 20549

October 28, 1963

REC'D OCT 29 1963

Honorable John J. Williams
United States Senate
Washington, D. C. 20510

Dear Senator Williams:

This is to acknowledge your letter, dated October 17, 1963, concerning Mortgage Guaranty Insurance Corporation, of Milwaukee, Wisconsin; Mortgage Guaranty Insurance Corporation, of Orlando, Florida; and Guaranty Insurance Agency, Inc.

I am enclosing copies of a memorandum prepared by the Commission's Division of Corporation Finance in reference to the subject matter of your inquiry.

If there are any further questions on this matter, please feel free to call on me again.

Sincerely yours,

William L. Cary
William L. Cary
Chairman

Enclosures

WILLIAMS EXHIBIT 18—Continued

MEMORANDUM PREPARED BY THE DIVISION OF CORPORATION FINANCE OF THE SECURITIES AND EXCHANGE COMMISSION REGARDING THE LETTER DATED OCTOBER 17, 1963, FROM THE HONORABLE JOHN J. WILLIAMS CONCERNING MORTGAGE GUARANTY INSURANCE CORPORATION, OF MILWAUKEE, WISCONSIN; MORTGAGE GUARANTY INSURANCE CORPORATION, OF ORLANDO, FLORIDA; AND GUARANTY INSURANCE AGENCY, INC.

Senator John J. Williams in his letter of October 17, 1963, inquired about filings by the above-noted companies with the Commission. The following are the only filings relating to these companies:

Registration Statement, File No. 2-15625

Mortgage Guaranty Insurance Corporation (MGIC) and Guaranty Insurance Agency, Inc. (Agency), both Wisconsin corporations with offices in Milwaukee, Wisconsin, jointly filed with the Commission on September 23, 1959, a registration statement on Form S-1 for a concurrent offering of 40,000 shares of MGIC's \$10 par value common stock and 10,000 shares of Agency's \$5 par value common stock, to be offered in units consisting of four shares of MGIC common stock and one share of Agency common stock at \$115.00 per unit. There were several telegraphic delaying amendments filed; and pre-effective amendments were filed on December 28, 1959, and February 8, 1960. On February 25, 1960, this registration statement was declared effective as of such date by order of the Commission.

Registration Statement, File No. 2-17187

On October 17, 1960, a second registration statement on Form S-1 was filed by MGIC with the Commission for a proposed offering of 155,000 shares of MGIC's \$1 par value common stock. (It should be noted that the MGIC shareholders approved on September 28, 1960, effective September 30, 1960, a 10 for 1 split of MGIC's \$10 par value common stock.) This registration statement and the prospectus, a part thereof, disclose that MGIC acquired the assets and assumed the liabilities of Agency as of October 1, 1960, in return for 165,414 shares of its \$1 par value common stock. These MGIC shares were distributed to the Agency shareholders in connection with a complete liquidation. The prospectus also discloses that Mortgage Guaranty Insurance Corporation of Florida was incorporated under Florida law in 1959 by MGIC and Agency to operate in Florida. This company was merged into MGIC on June 30, 1960. Attached are copies of the Bill of Sale relating to Agency, the Agency Statement of Intent to Dissolve, and the Articles of Merger relating to MGIC of Florida.

WILLIAMS EXHIBIT 18—Continued

There were numerous telegraphic delaying amendments. On April 24, 1961, a pre-effective amendment was filed increasing the offering to 236,340 shares of MGIC's \$1 par value common stock, 200,000 shares to be sold by MGIC and 36,340 shares by three officers and directors of MGIC. Additional pre-effective amendments were filed on September 5, 1961, and October 11, 1961. On October 17, 1961, this registration statement was declared effective by the Commission as of October 9, 1961, for the aforesaid 236,340 MGIC shares to be sold at \$27.50 per share.

Registration Statement, File No. 2-21140

Subsequently, a third registration statement on Form S-1 was filed with the Commission on March 11, 1963, for an offering by MGIC of 200,000 shares of its \$1 par value common stock. Pre-effective amendments were filed on May 2, 9 and 14, 1963. On May 14, 1963, the Commission declared this registration statement effective as of such date for an offering of the 200,000 MGIC shares at \$27.00 per share.

Copies of the definitive prospectuses with respect to the foregoing three registration statements are also attached.

Attachments

Senator CANNON. That raises a question in my mind. Does your record disclose there that Mr. Baker acquired his stock through any officer, employee, or agent of this company?

Senator WILLIAMS. I am submitting to the committee the only information which I have, which can really be supported.

Senator CANNON. I thought maybe you had the opportunity to digest this. Because as I listened to it there, if I got it correctly, Mr. Baker got his stock from a third party, from a Mr. Walter Adams and Eddie Adams, who did not appear to be officers, directors, or agents of the corporation, and certainly were not the people to whom the stock was originally authorized to be issued. Is that correct?

Senator WILLIAMS. It is my understanding that you will find practically all of these 36,000 shares will have been siphoned from 2 or 3 parties before they reached the ultimate owners.

Senator CANNON. Which, of course, is a usual thing in promotional stock of corporations. At least, that has been my experience. In other words, promotional stock goes to an individual ordinarily, does it not, and then is sold off by that individual at a greatly reduced price below the ultimate prospectus price, for the purpose of promotional activities.

Senator WILLIAMS. Not to Government officials though.

Senator CANNON. That is what I am trying to find out. Was this sold to a Government official, or sold to someone else who Mr. Baker got it from then?

Senator WILLIAMS. Presumably, it was sold to Adams. Now, whether the stock was ever registered in Adams' name or whether it is registered in three or four other names, I don't know.

Senator CANNON. But it was sold to Adams by the corporation, or by the man who received it, as promotional stock from the corporation.

Senator WILLIAMS. I don't know where Mr. Adams got it. I only put in the record that Adams had given an option to sell it. The option does not carry all of the details or even the name. But I have a letter from one of the Mr. Adamses confirming and acknowledging the receipt of a check in receipt thereof. And the letter to the president of the company will closely tie that this is the same deal. But just how it was siphoned through, and so forth—I do think that it raises questions because, as I understand it, the stock never did get in Bobby's name.

The CHAIRMAN. It was in Novak's name, was it not?

Senator WILLIAMS. It was in Novak's name. It is my understanding the stock never was registered in Baker's name.

But yet the correspondence shows that he had control over this stock, and we have at least one letter from Bobby there acknowledging receipt of his division of the proceeds therefrom.

Senator CANNON. Was Mr. Novak the man who was a partner of Mr. Baker?

Senator WILLIAMS. That is correct.

Senator CANNON. Is there any impropriety there, in a member of a partnership taking title in the name of the other partner? Is that claimed to be something that we should go into or not? I am trying to find out for my own benefit.

Senator WILLIAMS. Well, I think the committee is 21, and I think you gentlemen are fully able to determine what you want to go into. I am presenting this to you, and if the committee thinks it has no merit you can throw it in the scrapbasket. I am here presenting the evidence as I have developed it, and I am not acting as the judge to form the decision as to what the committee should do.

To me, these facts all put together did attach some significance. If in the minds of the committee it attaches no significance I would respect your decision. I am only presenting it to you, and I am trying not to go beyond the realm of what I can present or to enter into the realm of speculation as to what somebody may have been thinking at the time. I only point out what, to me, raised the questions as to the possibilities. And I point out, again, that Mr. Baker was fully aware that this was one of the transactions which we wanted to discuss with him, and rather than discuss it with the leadership he turned in his resignation. So I do think that there are still unanswered questions; at least there are in my mind.

Senator PELL. Mr. Chairman, may I ask a question? As a non-lawyer, I need enlightenment. As I understand it, if a Government official attempts to secure a favorable ruling from either the SEC or the Treasury, that is an illegal act. But if he purchases stock on the basis of improperly acquired inside information, is that an illegal act or not?

Senator WILLIAMS. I am not a lawyer, and far be it for me as a layman to try to interpret the law. I think this goes beyond. When you start dealing with the conduct of a public official it goes beyond

what is legal and what is not. There is such a thing as a realm of propriety, and I think that that, likewise, has to be considered.

Was this an entirely proper transaction, or is there something, some inside advantage being given? Was it given to the man just because of the position which he held? Those are the questions which I think are very proper questions for us to explore. I do not think they are questions to which any of us should close our minds as to the exact answers at this time until you have talked with both the companies, examined further than I have been able to the background of all this transaction, and I think likewise that you should talk with Robert Baker. And that is something which I have not been able to do.

I would not want to enter into this myself, and I am sure the committee doesn't, having judged the case in advance in either way. I am here neither trying to persecute the boy nor trying to clear him. I stated on the floor of the Senate that I did not think we should attach any significance to any rumor which may be circulated until it has been proven. I still stand by that. But I do think that these are very proper questions to be asked.

The CHAIRMAN. Senator, may I ask you a question? Do you have any information that Bobby did anything of value which contributed to the stock being approved for sale at \$25 a share, as against the original sale price of \$2.50?

Senator WILLIAMS. I didn't hear the question.

The CHAIRMAN. Do you have any information in your file there, or have you turned up any that Bobby—you say this stock was offered for \$2.50 per share for some selected group, and later sold for \$25 a share. Do you have any information that Bobby was able to get the stock approved at \$25 a share, when it was actually being sold for \$2.50?

Senator WILLIAMS. I didn't say that.

The CHAIRMAN. I say: Do you have any information to that effect?

Senator WILLIAMS. No; I do not. I merely point out the statistical facts of the case—that, based on Bobby's letter this purchase was around February 8. The record shows that on February 8 the final amendment was filed by this company with the SEC. The record shows that on February 25 the SEC approved the public offering at \$25 per share. Now, I understand that the stock was not issued—Bobby's letter refers to it not being issued until after it had been approved by the SEC. I don't think that it ever entered into his name.

It has been my experience if I thought I knew of a good buy I would put it in my own name. There is no law against putting it in somebody else's name, but I think it raises questions as to why. Those are questions which I think the committee can ask. Whether or not Bobby was rendering any particular service, again, is a question.

I do know that, based on the prospectus which was subsequently filed by the company, they stated that the 36,000 shares were to be sold to those people holding positions where they could further the interests of the company. I didn't say that. They did. So whether this is a part of that block of stock or just how it came about—that is the reason this committee was organized. Had I had all the answers to these questions I never would have put a resolution into the Senate asking your assistance to help get them.

Senator PELL. Mr. Chairman, I do think one point should be brought out here, and that is the majority of stock purchased in this country is purchased in a street name, and not in the name of the holder. I agree with you this goes a little bit further.

Senator CLARK. May I ask a question, Mr. Chairman?

The CHAIRMAN. Certainly.

Senator CLARK. As I get the gist of what you have been telling us, Mr. Baker purchased, indirectly and in the names of others, stock at \$3.27 a share average price 2 days before a public offering of the same stock was made for \$25 a share.

Senator WILLIAMS. It was more than 2 days.

Senator CLARK. Fifteen days.

Senator WILLIAMS. I don't know just when it was offered public.

Senator SCOTT. Seventeen days, as I remember.

Senator CLARK. Correction.

Senator WILLIAMS. The prospectus was released February 25, and that is the date on it.

Senator CLARK. Correction—17 days before the stock was publicly offered at \$25 a share. The prospectus revealed the fact that a block of stock was issued to officers of the company at \$2.50 a share for distribution by them to selected executives and others who could be useful to the company. Is that the gist of this?

Senator WILLIAMS. Well, it said—"or otherwise used in the interests of the company."

Senator CLARK. I have stated correctly the gist of what you have told us, have I not?

Senator WILLIAMS. Yes; I think so. And, again, I say that I think that this is something that needs more answers than—more information than that which we have at the moment. But I do think that the company's records—I know they will—will show the answers. I think you are going to have to go beyond this one transaction. Because in addition to this 3,600 shares which I have outlined—both the purchase and the sale thereof—the record shows that as of February 5, 1962, Robert Baker was claiming the ownership of 15,130 shares of this same Mortgage Guaranty Insurance Corp. on his financial statement, and he placed a valuation on that of \$695,980 at that time; 8,835 shares were pledged as collateral with the American Security & Trust Co. here in Washington, 5,995 shares were pledged as collateral to the First National Bank in Dallas, Tex.

Now, just what price was paid or under what circumstances obtained I do not know; I am merely putting in the record the information in connection with this particular company's transactions, as far as Baker is concerned, of which I am aware.

Senator CLARK. What is the date of the financial statement?

Senator WILLIAMS. February 5, 1962.

The CHAIRMAN. Whose statement is that?

Senator WILLIAMS. That is Baker's.

Senator SCOTT. Mr. Chairman, may I ask a question?

The CHAIRMAN. Certainly.

Senator SCOTT. As I follow this thing, company officials reserved the right to sell stock at \$2.50 to others. It does not appear as yet, from what you have said, whether the sale from company officials, or from the company to Adams, was for \$2.50 or any other given figure, does it?

Senator WILLIAMS. I have no information as to tracing this beyond the points which I have mentioned. After the resolution was approved by the committee I thought that the committee would be more apt to get it, and I was pretty sure the company would not make it available to me anyway. Therefore, I did not place the inquiry with them for that.

Senator SCOTT. But if the Adamases had purchased it at \$2.50 or in the neighborhood thereof, a rather short time before the offering of the stock at \$25, it seems to me it would be pertinent to know whether the Adamases knew that the stock was in fact being offered at \$25—presumably the prospectus would be available to them. And, if so, would the Adamases give up a profit representing the difference between \$2.50 and \$25 available to them, a very substantial profit, if—

The CHAIRMAN. Well, they sold it for \$3.27 a share.

Senator SCOTT. That is what I am coming to. They got it, we presume, at \$2.50. If they sold this stock at \$3.27 a share, with knowledge that it was shortly to be offered at \$25 a share, would any normal investor have forgone so heavy a profit unless this were in fact either a wash sale—perhaps a remuneration for the use of their names? Are not those some of the questions raised?

Senator WILLIAMS. Those were the questions raised in my mind, and I think that, after getting all of the facts, they are questions which can be properly determined by the committee. As near as I can figure it Bobby's profit on this particular transaction in which he had no money invested at all was \$37,699.95. There is nothing wrong with making money in America. That is our system of government. But it is a rather substantial profit for an employee of the U.S. Government to be making in a situation such as this. And it does raise these questions which I discussed with the leadership. They, too, felt there were questions which, without forming any conclusions on our part, should be discussed. I was very much disappointed that Baker would not discuss this with us. That was one of the questions which we were going to discuss with him at that meeting.

Senator SCOTT. In other words, what was the nature of the services rendered which would have warranted a \$37,000 profit on the securities?

Senator WILLIAMS. That is right. Was this a situation where one stockholder, a potential stockholder, had advance information which was withheld from a bona fide stockholder? There are many questions, and I would not want to foreclose my mind as to any conclusions in these cases until all of this information has been fully developed. I am merely presenting this material to the committee. I think they are reports which are accurate. At least they are to the best of my knowledge.

Senator CANNON. Mr. Chairman, I would certainly hope that the committee is not going to go as far afield as it appears might be indicated here, when we raise the question of whether some stockholder withheld information from another stockholder. It seems to me that that goes to the realm of absurdity, for us to try to consider here as to whether stockholders not involved in this might have not been dealing fairly with each other. I certainly hope that the committee doesn't go off on a witch hunt that is far beyond the scope of what I read in this resolution.

Senator COOPER. Mr. Chairman, in view of the publicity which has developed concerning certain financial transactions of Mr. Baker, we have this information. And because of the other publicity, your idea is that we could look into it to see if there are any unusual circumstances surrounding it. This could just be a speculation without influence used.

The CHAIRMAN. Is the inference here—I am just asking this question—is the inference here in all this that Bobby probably had used influence to get a favorable ruling from the Treasury Department?

Senator WILLIAMS. I am not presenting this with any inferences at all. I am merely pointing up a statistical report of the transactions as I have it. You read the newspapers—all of us do. And we know there have been several questions raised in connection with this. I felt, and the Senate agreed, that this needed further examination by the committee. You cannot examine the background of this without knowing about these financial transactions and looking into them.

I thought I could be of some assistance as you begin it. I know it took quite a little time for me to develop this much information. If at least you had this much to start with and then proceed from here on you could reach your conclusions. You could not reach your conclusions before. And I don't want to present this with the thought that I am making any inferences in any connection.

I am merely pointing out the series of circumstances as they exist. My inquiry has been in for a report on the ruling. And, as I say, it could be a very proper ruling—no connection at all. I want that understood. But certainly you don't know that if you don't examine it. I am merely pointing up areas which, if I were a member of the committee, I would want to look into and examine. Take it all into consideration after you get it, and then form an opinion after you have talked with all of the parties involved.

I would not want to leave here with the impression that I have the answers to these questions. As I said before, if I had had the answers to these questions it would have been silly to have a congressional investigation to investigate something upon which we already knew all the answers.

The CHAIRMAN. I assure you, we appreciate the information you have supplied us with. We will pursue it.

Senator WILLIAMS. I just thought this would be of some assistance as you started off. And, as I say, there will be a witness who will testify and support this. I might say that the partner with which this transaction was arranged has died, but his widow, as his heir, is also a partner right now with Bobby Baker. Her name is Mrs. Gertrude C. Novak. She is the widow of Alfred Novak, who was a partner with Bobby in several of his real estate transactions and this stock deal. Now, when I say Alfred S. Novak, there are two Novaks. He and his brother were both partners. I think I have the right one. The committee can check that. Anyway, this Mrs. Gertrude Novak is presently employed by the Senate Small Business Committee right here in the Capitol. She is readily available to you as a witness without subpoena.

The CHAIRMAN. She has agreed, I believe, to testify.

Senator WILLIAMS. She has agreed to testify.

The CHAIRMAN. Without subpoena.

Senator WILLIAMS. Without subpoena. And will be able to enlighten the committee on much of this transaction, and so forth and so on, I am sure.

Senator CLARK. Mr. Chairman, could I make one comment for the record at this point, so it may be noted? It seems to me that we should determine the relationship between the Adamses and Max Karl, and between the Adamses and Robert Baker, for the purpose of seeing whether the stock issued to the Novaks in which Robert Baker had the equitable interest was issued, as referred to in the prospectus, to Mr. Baker as a selected executive, or one who could be useful to the company. That seems to me to be the critical point in the testimony so far.

The CHAIRMAN. Senator Williams, of course, we can find this out from Mrs. Novak. Do you understand that she was an official in the company? This Mr. Novak was a partner in the Carousel Restaurant; wasn't he?

Senator WILLIAMS. He was a partner in the Carousel Restaurant. They are also partners in a property in Ocean City, Md. They own an entire oceanfront lot in that area. I think it is between 47th and 48th Street, in Ocean City. This can be determined. I have the exact address, which I can give you if you want it. In addition to that, they own some property, 49 or 50 acres that they bought together out on Colesville Road, near Silver Spring.

The CHAIRMAN. That is Mrs. Novak and Bobby?

Senator WILLIAMS. Yes. And I think—well, she is the widow. And they also were connected in the Carousel. Now, those three enterprises are the ones in which I know of their connections.

The CHAIRMAN. Do you have any information on that?

Senator WILLIAMS. I have it; yes. I can give you the addresses and furnish all of it for you.

Senator CLARK. Ocean City, Md.?

Senator WILLIAMS. Ocean City, Md.

The CHAIRMAN. Will she be able to furnish that information when we hear her?

Senator WILLIAMS. She can furnish it. But I have it here if you want. I can get it for you.

The CHAIRMAN. We would be glad to have it.

Senator WILLIAMS. My secretary is out here with the other files, and I will get that for you.

The CHAIRMAN. Fine.

Senator WILLIAMS. Now, in addition to that there was one other report which had come to our attention which is more than just a rumor—I had this run down. I talked with one of the participants in this particular arrangement. However, in presenting this, I want to make it clear that it has not been verified to the extent that I am in a position to say that it is 100 percent accurate, because Baker would not talk with us—although this is one of the points of which he was advised on a Friday before this Monday meeting, and this is the major point upon which we wanted to talk with him during that meeting. It is one which I think would have been very easy for him to have said it is all true or untrue, and had he said it was all untrue there is a very simple manner, with his authority, whereby it could have been checked in less than 24 hours and fully discredited or confirmed.

I pointed this charge out to the leadership. It was pointed out to Baker that by a simple denial and an agreement on his part to co-operate, this could be proven or disproved in its entirety within 24 hours right here in Washington. He would not talk with us. Therefore, I am presenting it to you as this was presented to me with the understanding that I want this checked by the committee, and it can be checked. The story as it was told to me, and it as was relayed to Baker for his answer, is that during late 1962 he had these numerous business deals with the Novaks, mostly involving the companies which I have just related, the property out on Colesville Road, 49 acres, the oceanfront block in Ocean City, and the Carousel Motel.

All of these had been mortgaged at the banks, mostly here in Washington and some in Baltimore. These were very proper investments as far as I saw and know. The payments that were to be made on these mortgages as they automatically came due were very proper payments to be made. But the report which came to me was that during the last half of 1962 Mrs. Novak was unable to put up her part of the money as one of the partners; she didn't have it. She went to Bobby and told him that she didn't have the money to meet the debts and that he would have to help advance the money. This was all arranged. Presumably, these payments during this period varied, the lowest between \$2,000 and \$3,000—

The CHAIRMAN. How much?

Senator WILLIAMS. Between \$2,000 and \$3,000. Some of them ranged from \$5,000, and some of them as high as \$8,000. There was one particular transaction which if I am correct, and I am putting it to you this way—that in November 1962, or approximately thereabouts, this was a payment on the ocean block in Ocean City, and that payment was around \$13,000 to \$14,000. Now, the report which I received was—

Senator CURTIS. Before we get to the report—how often were these payments?

Senator WILLIAMS. I assume they were monthly payments.

Senator CURTIS. The ones you are referring to appeared—

Senator WILLIAMS. Over this period.

Senator CURTIS. About how long a period?

Senator WILLIAMS. As I understand it, they were over a period of about 4 to 5 months, but mostly about 3 months.

Senator CURTIS. And they involved three or four or five payments?

Senator WILLIAMS. Yes.

Senator COOPER. What was the total?

Senator WILLIAMS. The total approximated \$40,000, as it was given to me. Now, the interesting part about this—as I say, there is nothing wrong with making the payments. But the report about which we wanted to ask Bobby was that when she went to get this money, it was practically all, with just one minor exception maybe, in cash, mostly \$100 bills, and that this money was deposited in the American National Bank in Silver Spring, Md., for payments on some of these mortgages. According to the allegation which was brought to me other deposits were made in the American National Bank in the account of the Alfred S. Novak Building Co.

But under the rules, as I understand it, any deposit of over a thousand dollars in currency the banks keep records of it. I suggested to the leadership that if this was denied by Bobby all he had to do was—

at least to this extent—authorize the bank to advise us of his deposits that date; if any cash had been made; and it could be verified very easily or disproved. This question was going to be presented to him at that date, and he would not answer the question. If he has given any explanation I have not heard it.

I will say, further, that in the testimony of Mrs. Novak, as I got the story, Mrs. Novak picked up this money and made the deposits. That is the reason I suggest that she would be a very important witness as far as this committee is concerned. And I think it would be better for her to tell that story rather than me, as maybe somebody else told me. So I think that you can—I know that you can talk with Mrs. Novak. She is here in the Capitol.

I don't mind saying that I have talked with Mrs. Novak, also, prior to talking with Senator Mansfield, and I think you will find that this report which I am giving you is substantially correct. While I fully recognized and pointed out to the leadership that there is nothing wrong with owing money; that there is nothing wrong with having the payments due on mortgages; that currency is legitimate tender in such payments; and that there is nothing wrong with a man having \$1 million in \$1 bills or \$100 bills, there is a very proper question which can be asked—where did you get it—and if it is all proper, it is very easy to explain.

I felt in the light of what had developed and the rumors and circumstances around which this developed, these were particularly proper questions to ask—how did he happen to have this currency, this cash, in his possession as of this particular time? I am presenting this information to you with that understanding—that it can be verified—how it can be verified. But I don't want you to accept it as gospel from me. But the committee can very easily verify those points. I would strongly recommend, as I stated, that your first witness in this connection be Mrs. Novak.

Senator CLARK. May I ask a question, Mr. Chairman?

I realize your reluctance in disclosing what you heard by hearsay. But I think it would be worth the committee's time to know whether Mrs. Novak told you where they had been told the money came from.

Senator WILLIAMS. I don't recall that she did. I don't recall that I even asked her that question. I have heard many rumors. But—

Senator CLARK. You have heard rumors as to where the money came from?

Senator WILLIAMS. Yes.

Senator CLARK. So have I.

Senator WILLIAMS. In fact, I have heard many different rumors.

The CHAIRMAN. Senator Williams, do you know of any other person that would be directly connected with this particular situation, transaction, that we should have at the same time we have Mrs. Novak, or one right after the other?

Senator WILLIAMS. I think that there may be. But, Mr. Chairman, I think that could best be determined after you talk with Mrs. Novak and get all of her testimony. I really think that if you get her testimony you can make a better decision on that.

The CHAIRMAN. Thank you. Now, you have some other information that you are going to turn over to us that you wanted to testify on, previous information? Didn't you say your secretary had it out there; that you were going to leave with us?

Senator WILLIAMS. Yes—as to the exact identity of these three properties to which I have referred. I know one of them is on Colesville Road; one is the oceanfront block in Ocean City, and the Carousel. But I have a more accurate description of those particular properties out here, along with their approximate valuation as far as Baker's interest therein.

Senator CURTIS. Is Mrs. Robert Baker, wife of the subject of this inquiry, associated with these companies you mentioned?

Senator WILLIAMS. I would not want to say “No,” but I don't recall ever having seen her name connected therewith.

Senator SCOTT. Did Mrs. Novak furnish you any information with regard to the Silver Spring house, allegedly purchased at \$129,000, or the townhouse allegedly purchased at \$28,000?

Senator WILLIAMS. No. All I know about the home that was purchased here in Washington, that allegedly was purchased from the Tennessee Gas Transmission Co., is what I read in the newspaper. Now, other than that, it is just rumors that you hear, but I do not have any information in connection with that particular project.

Senator SCOTT. Or with the Silver Spring project?

Senator WILLIAMS. Well, the Silver Spring—out on Colesville Road—I think that is out in Silver Spring—that is just a routine prospective development.

Senator SCOTT. I was referring to the residence in Spring Valley.

Senator WILLIAMS. I don't have any information in connection with that particular property. I only know what I have read in the newspapers on it. Now I pass on without any conclusions to one further transaction. I know the committee, in order to determine this, is going to have to go into financial arrangements. It may help you to have what background information I have. I will try to be as brief as I can.

This deals with the Carousel Motel mortgage, near Ocean City, Md. Now, I do not have the exact figures where I can give them here, but I do have the reasonably approximate figures, and they can be verified from the records of the Small Business Administration and other agencies and other records. But—and again, I am not drawing any conclusions; I am merely presenting this as I developed it.

The CHAIRMAN. Is this in connection with the Carousel?

Senator WILLIAMS. That is the Carousel. I will go back in early 1962—and I don't have any background beyond that—it seems there was a mortgage of approximately \$400,000 around May 1962 against this Carousel. That was divided, with the Fraternity Federal at Baltimore having \$360,000, approximately, on real estate, and the American National Bank, I understand, \$114,000 on fixtures. That was valued around that date \$750,900. Now, they had this storm over on the Atlantic seaboard in the spring of 1962. On May 2, 1962, the Small Business Administration approved a disaster loan of \$54,400 and took the second mortgage.

Senator CLARK. How much?

Senator WILLIAMS. \$54,400. In March 1963 the ownership decided that they wanted to expand and add some additional motel units. The first mortgage was then paid down to around \$348,000, and presumably they wanted to borrow approximately another \$400,000. The business records will show, I understand, that the bank that was arranging to increase its mortgage to \$746,000 wanted to be sure that even this latter \$400,000 would also be a part of the first mortgage. So the Govern-

ment withdrew its position of their second mortgage and came in after the additional \$400,000 loan that was made at that time.

Now, when the original loan was made it was made on the basis of a financial statement filed by Baker with the Small Business Administration; at that time he listed his holdings of the Mortgage Guaranty Insurance Corp. as being 15,130 shares with a market valuation of \$46 a share, or \$695,980. However, this withdrawal of the second position by the Government, and following in on this third mortgage, was in the first quarter of 1963. At that time, this stock had declined and was trading in a range of $30\frac{1}{4}$ to $24\frac{3}{4}$, and using the maximum price this would mean that on the date that the Government withdrew its position this particular equity which had been filed as a part of his financial statement had declined approximately \$250,000, according to my figures, from his financial statement.

The CHAIRMAN. Bobby's financial statement?

Senator WILLIAMS. Yes; that is the difference in the evaluation of that particular asset. I am just putting that to you as a part of the story without any conclusions; I was checking to see what information I could develop at the time in order to reconstruct some of his financial background, and this is the information I developed.

I would like to incorporate and offer for the record here the letter from the Small Business Administration confirming their loan, along with two photostatic copies of one page—two pages of the prospectus of the Mortgage Guaranty Insurance Corp. on May 14, 1963, which on the second page carries the price ranges of their respective stock.

Senator CLARK. May I ask a question? I am not sure I understand you. Are you suggesting that when Mr. Baker filed a financial statement with the SBA it showed a valuation of the Mortgage Guaranty stock substantially higher than the market price of that stock on that date?

Senator WILLIAMS. Oh, no.

Senator CLARK. Then I misunderstood you.

Senator WILLIAMS. No, no. I am glad you asked that question. I am merely stating the position. At the time the financial statement was filed—

The CHAIRMAN. With the SBA?

Senator WILLIAMS. With the Small Business Administration.

Senator CLARK. Do you have a copy of the financial statement?

Senator WILLIAMS. Not exactly; no.

Senator CLARK. You took notes from it?

Senator WILLIAMS. Yes.

Senator CLARK. You saw it?

Senator WILLIAMS. Yes.

Senator SCOTT. Did you say the loan was by the Small Business Administration?

Senator WILLIAMS. At the time his financial statement was filed it carried a market price of \$46 per share. According to this report from stock sales, which I will put in the record here, the trading price of this stock during that period was as high as \$50 a share. So, actually, during the quarter in which he filed his financial statement it sold higher than the price at which he had it included.

Senator CLARK. Then I don't see what impropriety you are suggesting.

Senator WILLIAMS. I am not suggesting any.

1832 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

(The documents referred to follow:)

WILLIAMS EXHIBIT 19

OCT 17 1963

SMALL BUSINESS ADMINISTRATION
WASHINGTON 25, D.C.

OFFICE OF THE ADMINISTRATOR

*
OCT 16 1963

Honorable John J. Williams
United States Senate
Washington 25, D. C.

Dear Senator Williams:

This is in further reply to your letter of September 30, 1963, concerning Small Business Administration loans to Mr. Robert G. Baker or Mr. Ernest C. Tucker.

According to our Washington office records, a direct disaster loan in the amount of \$54,400 was approved on May 4, 1962, for Robert G. and Dorothy C. Baker, Donald J., Anita M. and Gertrude C. Novak, trading as Carousel Motel, Ocean City, Maryland. The rate of interest was 3 per cent per annum, the statutory rate for disaster loans, with interest payable monthly and semi-annual principal payments each in the amount of \$1,360. The maturity of the loan was twenty years from the date of the note. The purpose of the loan was to reimburse the applicant for damages caused by the storm of March 6 through 8, 1962.

Effective March 15, 1963, the obligation was assumed by the Serv-U-Corporation and Carousel Motor Lodge, Inc. The original obligors were not released.

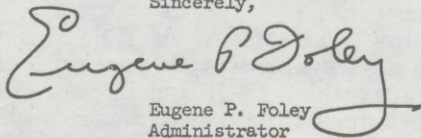
The unpaid balance of the loan on October 1, 1963, was \$51,671.89 and payments were considered current.

We have no record of loans to the Blue Ridge Development Corporation of Pickens, South Carolina, the Credit Bureau of Easley, South Carolina or to Mr. Robert G. Baker or Mr. Ernest C. Tucker as individuals or as principals of other borrowing concerns.

If further information is desired, please do not hesitate to call upon me.

With kind regards, I am

Sincerely,


Eugene P. Foley
Administrator

PROSPECTUS

200,000 Shares

MORTGAGE GUARANTY INSURANCE
CORPORATIONCommon Stock
(\$1 Par Value)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Commissions (1)	Proceeds to Company (2)
Per Share	\$27.00	\$2.00	\$25.00
Total	\$5,400,000	\$400,000	\$5,000,000

(1) The Company has agreed to indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.

(2) Before deducting expenses payable by the Company, estimated at \$59,000.

As of May 13, 1963, the Common Stock was quoted on the over-the-counter market at 27¼ bid and 27¾ asked. See Price Range of Common Stock on page 9 herein.

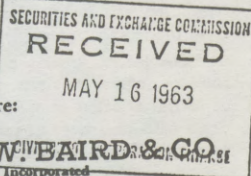
The offering by the Underwriters is subject to prior sale, to withdrawal, cancellation or modification without notice, to receipt and acceptance of the 200,000 shares by the Underwriters, to the approval of their counsel and to certain other conditions.

Among the Underwriters named herein are:

HORNBLOWER & WEEKS

ROBERT W. FAIRD & CO.
Incorporated

The date of this Prospectus is May 14, 1963



1834 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

WILLIAMS EXHIBIT 20—Continued

quarters for the Common Stock since October 1, 1960 as furnished by National Quotation Bureau Incorporated (adjusted to give effect to the 5% stock dividend in April, 1962):

1960	High	Low
Fourth Quarter	22 $\frac{7}{8}$	19
1961		
First Quarter	23 $\frac{3}{4}$	20 $\frac{1}{2}$
Second Quarter	37 $\frac{7}{8}$	23 $\frac{3}{8}$
Third Quarter	35 $\frac{3}{4}$	31
Fourth Quarter	51 $\frac{1}{2}$	30 $\frac{1}{2}$
1962		
First Quarter	51	39 $\frac{1}{2}$
Second Quarter	42 $\frac{1}{2}$	23
Third Quarter	32	24 $\frac{1}{2}$
Fourth Quarter	31	24
1963		
First Quarter	30 $\frac{1}{4}$	24 $\frac{3}{4}$

As of May 13, 1963 the Common Stock was quoted at 27 $\frac{1}{4}$ bid and 27 $\frac{3}{4}$ asked.

Statement filed

BUSINESS

General

Mortgage loan insurance guarantees in whole or in part the repayment of a mortgage loan and is utilized by lenders principally in cases where the borrower's initial equity in the property is small. In those cases, it is usually provided that the borrower pay the insurance premium.

Until the early 1930's, mortgage loan insurance was provided solely by private companies. The operations of such companies are not comparable to the present activities of government agencies and private mortgage insurers, such as MGIC, for a number of reasons. Among other things, these private companies provided insurance principally for mortgage loans on large commercial and high-rise apartment buildings with little or no emphasis on insurance on loans for single-family dwellings. Further, such companies operated for the most part on a regional basis with inadequate regulation and insured loans were usually not regularly amortized. The private companies withdrew from the mortgage loan field as a result of the depression of the early 1930's.

Thereafter, until the inception of MGIC in 1957, mortgage loan insurance was available only through federal agencies, principally the FHA (since 1934) and the VA (since 1944). The business of MGIC is often compared to that of the FHA, and particularly to its Section 203 program which deals with insurance of mortgage loans on one-to-four family residential dwellings. There are, however, at least five fundamental differences between the two entities:

1. Unlike FHA, MGIC does not in effect insure the full face amount of a mortgage loan. Since January 1, 1959, all insurance written by the Company has provided that in the event of a claim the Company may satisfy its obligation to the insured lender by paying such insured 20% of the claim in lieu of paying the full amount of the claim and taking title and disposing of the property itself.

Senator CLARK. Why do you want to call it to the attention of the committee?

Senator WILLIAMS. I thought the committee wanted to reconstruct all of this to get the picture, and I stated I was not presenting this with conclusions. I just felt that the committee would want this background information. It seems that every day you pick up the paper you find one of these transactions outlined. If the committee wanted it, and there are several others, I would be glad to present it; or if you don't, I would be glad to stop right now.

Senator CLARK. Are you suggesting it was improper for the SBA to subordinate the mortgage?

Senator WILLIAMS. I am not making any suggestions. I hope the committee is not asking me to act in judgment on this case. I merely

stated I would be glad to give what information I had developed in connection with these financial transactions. I don't see how you are going to examine this case unless you examine all of these transactions. I agree, it would save a lot of time if you only examined those in which there is something wrong. But how are you going to determine that unless you prejudge everything to start with?

The CHAIRMAN. Senator Williams, was \$54,000 the total amount that the SBA had in this?

Senator WILLIAMS. Yes. And this can very well be proper. I am not suggesting it is improper. I just was reasonably certain that the committee in going into this will examine all of these details. I have mentioned instances where I thought serious questions were raised. I thought that it may be of some interest to the committee to present, also, those upon which there may be no question but which you may want to take in as a part of your overall examination. I am not in a position of saying this should be examined, this should not.

Senator SCOTT. Senator Williams, just to help me clarify it in my mind—Senator Clark asked you about whether the value of the securities in this mortgage corporation had increased or declined. But my notes indicate that what you said was that after the withdrawal by the Government of its second position, notwithstanding the decline of \$250,000 in equity on the property—that is, the Carousel property. You are talking about that decline, not the decline in the stock?

Senator WILLIAMS. No; the equity on the property would not have declined. That would be increased, because they are going to build these additional motel units. But with the application for a loan, you file your financial statement, and that is taken into consideration by the Small Business Administration for approval. I merely point out for what it is worth, for your evaluation, the fact that at the time the loan was first approved it was approved on a financial statement which gave a \$600-some-odd-thousand evaluation on this stock. The subsequent period, when the Small Business Administration, at the time during the period when they withdrew their second position and subordinated it to this additional loan—during that period, the price of the stock had declined.

That does not infer that this was an erroneously filed financial statement. Markets have ways of going up and down. I do say that this would be something which you would have to take into consideration when you subordinated a loan, because it did to that extent reduce the valuation of his net worth statement. Now, maybe his other assets had increased more. I don't have that.

Senator SCOTT. Was the \$250,000 decline in equity, then, a decline in the equity in this Carousel property, or in the stock of the mortgage company, or the personal statement of Mr. Baker?

Senator WILLIAMS. It is in the stock of the Mortgage Guaranty Co. which was included in the financial statement filed in support of the loan.

I am merely pointing this out for what it is worth. I have had at least half a dozen reporters that have called and asked me if I knew anything about it, and I told them I was not going to talk on any of it. I had this information, and for what it is worth I am giving it to the committee.

The CHAIRMAN. I appreciate it. And we will use all of it.

Senator WILLIAMS. I want it understood that I am presenting this to you without inferring that all of this is necessarily wrong. A lot of it could be something which you or I would properly enter into.

But I do think in appraising this situation you are going to have to take into consideration all the factors involved. They may be improper.

The CHAIRMAN. Would Mrs. Novak have much information on this situation?

Senator WILLIAMS. I would doubt it. But you can get all of this information from the Small Business Administration files.

Senator CURTIS. May I ask this: The property upon which the small business loan was arranged—to whom did that belong?

Senator WILLIAMS. That was the Carousel. That belonged to Baker and the Novaks.

Senator CLARK. In corporate form?

Senator WILLIAMS. It is in corporate form—although the Small Business Administration loan was also endorsed, in addition to being signed by the corporation, by the stockholders as individuals.

Senator CLARK. Including Baker?

Senator WILLIAMS. Including Baker.

Senator CURTIS. What was Mr. Novak's occupation?

Senator WILLIAMS. I understand he was a builder. He had a building company here in Washington.

Senator CURTIS. Have you had occasion to inquire of the Small Business Administration for the names of all officers, employees, or others, who had anything to do with the granting of this loan, and to inquire of them what Government officials, employees, or others contacted them in any way about this loan?

Senator WILLIAMS. No; I do not. As I stated, after having determined this to the extent that I did, I saw no reason—after the committee decided to go into it I thought these were questions which you could readily get, and I may have more difficulty getting them than you. I think all of those questions are pertinent. As I stated, I am not putting this here passing in judgment, but this is just the information to the extent that I developed it as to his ownership, to put his ownership in here, because you get in all of these speculations, is he a partner in it or not?

The CHAIRMAN. I believe you said you had seen Bobby's financial statement.

Senator WILLIAMS. Yes.

The CHAIRMAN. Have you seen Novak's?

Senator WILLIAMS. No; I have not.

The CHAIRMAN. Apparently he was a man of some means, too, at the time.

Senator WILLIAMS. I understand he was.

Senator COOPER. With respect to this loan from the Small Business Administration, do you know whether Mr. Baker and others who were interested in this property made themselves liable personally for the loan, as well as the corporation?

Senator WILLIAMS. I understand that they did. And I didn't want to put conclusions on here. But I will take a shot if you want me to in here because I want to get this clear. In this particular case, I am passing it for your information. I personally see nothing wrong with this.

Senator COOPER. If he made himself liable personally, then it would be important to find out if others who were engaged in this operation also made themselves liable personally, because that would tend to show—

The CHAIRMAN. We can get that information. I might add, for your information, Senator, which I am sure you know—anyone who loans money, such as SBA, or anyone else, may take the endorsement of one person and not take all the others, which is still perfectly legal.

Senator WILLIAMS. It is my understanding both the Novaks and Baker endorsed the note as individuals as well as the company.

The CHAIRMAN. The SBA would show that.

Senator CLARK. I think, Mr. Chairman, the only conceivable impropriety in this deal—and I don't say there is any—is whether the SBA was in any way unduly influenced by subordinating its position for a new and larger first mortgage at a time when the collateral shown on Mr. Baker's financial statement had declined in value. I have no doubt there may have been many other reasons why they thought the loan was appropriate.

Senator COOPER. I think, also, you would have to find out if other persons interested in this had also filed statements, and their assets were also considered in connection with the loan.

Senator SCOTT. Or whether Mrs. Novak in her capacity as an employee of the Small Business Committee demonstrated any interest which might or might not be improper in the status of the Small Business Administration loan.

The CHAIRMAN. Thank you, Senator Williams. You may proceed with your other information.

Senator WILLIAMS. Well, Mr. Chairman, there is one additional point here which I want to mention. I will turn over to you what information I have, which is very small. This represents the Capitol Vending Co. I fully recognize this is a case where this company and Baker, and Baker's connection therewith is pending before the courts. And I recognize the impropriety of the committee or the Members of Congress taking any action which would influence that court decision. But I will just briefly review one part of this which I think at least we cannot overlook.

Here we have a specific charge that the president of this particular company, the Capitol Vending Co., Ralph L. Hill, paid Robert Baker \$5,600 in cash for having used his influence toward helping his company get a contract with the Melpar, Inc., of Falls Church, Va. Now, Melpar, Inc., was operating as a subcontractor on defense contracts. Under oath Mr. Hill filed a statement that he has paid Baker—I am getting this from the report which I will put in the record, which is the only information I have, and I am presenting it to you with that understanding, but I have seen this repeated in the press many times, likewise—that he has paid \$250 per month between the period of April 1962 and March 1963, and that between April 1963 and August 1963 he paid Baker \$650 per month. Now, in answer to that charge, it is only fair to put here that, according to the press, Robert Baker had denied this charge. However, I think that the committee in executive session should question both Robert Baker and Mr. Hill, the president of the company.

Senator CURTIS. What is Mr. Hill's full name?

Senator WILLIAMS. Mr. Hill's full name is Ralph L. Hill. He is here in Washington.

Senator CLARK. You said it was under oath. Was this a court pleading?

Senator WILLIAMS. Well, as I understand, one of the newspaper articles in referring to it said that in filing this suit—and I am not a lawyer—that he filed a sworn statement that this had happened. That is as near as I know on it.

Senator CLARK. Do you know what court the proceeding is in?

Senator WILLIAMS. I am going to put in the record the most complete outline that I found on this. It appears in a magazine called Vend, October 1, 1963, issue, which gives a more complete rundown of this whole case and the corporate setup and the ownership of the Serv-U Corp., which deals therein, and their particular participation. This is the nearest that I have seen as a most complete statement. This is a magazine put out by the industry itself.

Senator CURTIS. Have you obtained any information on the Serv-U Corp.

Senator WILLIAMS. Nothing that would be as all inclusive as this report right here.

Senator CURTIS. You have received some information that is incorporated in that report?

Senator WILLIAMS. Yes.

Senator CURTIS. And that is a Baker corporation?

Senator WILLIAMS. This report—yes; that is this charge here. And, based on my understanding, Baker is a partner or participant therein.

Senator CURTIS. And is their business with industries primarily connected with Government contracts?

Senator WILLIAMS. That is correct. This outlines the whole expansion of the industry, right on through, and the method in which they financed. I will quote the last paragraph of this article appearing in the trade magazine of the vending machine companies.

In view of the phenomenal growth of Serv-U over a 20-month period in a handful of plants owned by corporations who do billions of dollars of business for Uncle Sam, the question of any relationship between Serv-U and either of the Bakers needs an answer.

That is the same position that I take, and I am putting this to you—

The CHAIRMAN. Where did you get that?

Senator WILLIAMS. This is taken from a magazine put out by the vending industry. This is their October 1, 1963, issue. I will submit it for the record. This is the most comprehensive report, not only of the Capitol Vending Co., this pending suit, and Mr. Hill's charges therein, but also of their relationship with Serv-U.

But I felt that both of these participants could be put under oath, and it is a rather serious charge which, in my opinion, could not go unanswered. If there is a conflict in the testimony it could very well be submitted to the Department of Justice for them to determine which was wrong and what action to take. Now, other equally serious charges have been made concerning political influence having been used by Serv-U Corp. That is another vending machine company with which Baker is alleged to be associated. I submit this October 1—this article appearing in the October 1, 1963, issue of Vend maga-

zine. It is entitled, "Onward and Upward With Serv-U." And I think this gives the best summary of all of these vending machine operations. And I do that fully recognizing the delicacy of the situation, with the case pending before the courts.

(The article referred to follows:)

WILLIAMS EXHIBIT 21

[From Vend, Oct. 1, 1963; copyrighted by the Billboard Publishing Co.]

ONWARD AND UPWARD WITH SERV-U

(By G. R. Schreiber)

On September 10, 1963, a civil suit was filed in U.S. district court in Washington, D.C., which held more than passing interest for the vending industry.

The suit was filed by Capital Vending Co., Inc., headquartered at 23 I Street SE. Capital is a medium-sized (estimated gross annual sales \$1.4 million) full-line operator of some 1,100 vending machines.

Named as defendants in the suit are Serv-U Corp.; Ernest C. Tucker, director, vice president, and secretary of Serv-U who is an attorney with offices at 2000 P Street NW., Washington; Fred Black, a consultant to North American Aviation Corp.; and Robert G. Baker, secretary to the Senate majority, a protege of Vice President Lyndon B. Johnson.

Capital Vending's suit alleges that it paid Baker the sum of \$5,600 "for his services in securing and retaining" a contract which permitted Capital to install vending machines in facilities of Melpar, Inc., Falls Church, Va.

The suit further alleges that Capital Vending paid Baker \$250 a month from April 1962 through March 1963, and \$650 per month from April 1963 until August 1963. The suit charges that last March Baker tried to persuade Capital Vending to sell out to Serv-U Corp., a company with offices at 2000 P Street NW., and with vending installations in a number of key California industrial plants. When Capital did not sell, the suit charges Baker "conspired" to interfere with the outstanding contract between Melpar and Capital.

Service in connection with the lawsuit was completed September 12 and the defendants have 20 days from that date to reply. The suit asks compensatory damages of \$200,000 and punitive damages of \$100,000.

President of Capital Vending is a slightly built ex-Air Force pilot named Ralph H. Hill. Interestingly, Hill's own company was alleged 2 years ago with having used congressional influence in attempting to secure vending business.

The name Serv-U Corp. is not well known in the industry nationally. But Serv-U, incorporated in Delaware in December 1961, has enjoyed very considerable growth since it qualified to do business in the State of California on January 18, 1962.

In less than 2 years, Serv-U was awarded a chunk of the vending business at North American Aviation, at Northrop Corp., and at the Space Technical Laboratories of Thompson-Ramo-Wooldridge.

Serv-U's vending installations in this highly competitive area (the Department of Commerce says California ranks No. 1 in vending in the United States) share one common denominator: Its California vending customers are sizable contractors with Uncle Sam.

The Capital Vending suit alleges that Baker, Black, and Tucker are stockholders in Serv-U Corp. As regards North American's Consultant Black, the suit charges that Black is an "earner" of income from Serv-U and "is * * * employed in the District of Columbia for the purpose of securing contracts from the U.S. Government on behalf of North American Aviation Corp."

North American's public relations department told Vend that Black was a consultant to the corporation but denied that he was involved in securing contracts or in lobbying on behalf of North American.

Capital's suit further charges that Baker was able to "interfere with outstanding contracts between Capital Vending and Melpar * * * because Baker, as secretary of the majority (majority party) was able to, and did, represent to Fred Black that he was in a position to assist in securing contracts for North American Aviation Corp., that as partial return for the services performed by Defendant Fred Black and Defendant Robert G. Baker, North American Aviation Corp. entered into an agreement to permit Serv-U Corp. to install vending

machines in its plants in California, that Defendant Fred Black and Defendant Robert G. Baker assisted in securing contracts between Melpar, Inc., and North American Aviation Corp., that in partial return for these services, Melpar, Inc., has agreed to enter into an agreement with a vending machine operation in which Defendants Fred Black and Robert G. Baker have a financial interest."

Announcement of the lawsuit appeared first in the September 12 edition of the Washington Post. The newspaper said it had contacted Arthur Weid, vice president of Melpar, who confirmed that Melpar had a contract with Capital, on a month-to-month basis, and that this contract had been canceled. The newspaper quoted Weid as saying that Melpar was turning both its vending and its manual cafeteria operations over to Interstate Vending Corp.'s Hartford, Conn., operation.

Although the newspaper reports did not say so, Melpar's manual cafeteria services were then being operated by Automatic Canteen Co. of America. As this is written, Canteen is still operating the manual food service but has been notified of termination.

The Post article quoted Ernest C. Tucker as saying that Serv-U made no arrangements with Interstate to take over the Melpar contract. Tucker did confirm to the Post that Serv-U had some 100 vending machines in storage at Bladensburg, Md., but denied Capital's allegations that these machines were intended for installation in the Melpar facility.

A spokesman for Interstate Vending Co., whose corporate headquarters are in Chicago, confirmed that Interstate's Hartford division had been awarded a contract for Melpar's food and vending services.

In a telephone interview September 18, Ernest Tucker told Vend that the machines referred to in the Post article had been sold to Interstate.

Who is Capital Vending? Who is its boss, Ralph Hill?

In its 1963 annual report, filed with the District of Columbia, Capital lists the following officers: Hill, president; Frank Sharpe, Chevy Chase, Md., vice president and director; Teddy P. Collier, Aberdeen, Md., director; Stanley Lee, Washington, secretary; and John F. Gorrisen, treasurer.

Hill, like Robert Baker, came from South Carolina. Like Baker, Hill began working in Washington at the Senate. He was a clerk in the Senate library and a pilot in the Air Force before he entered the vending business.

In August 1961 Hill and Capital Vending were the subject of questions regarding the use of improper influences. The questions arose when Clayton Gasque, then secretary of Capital Vending, was said to have made calls on behalf of Capital which was complaining of unfair treatment as regards vending at the Municipal Center in Washington.

At that time, in addition to being secretary of the Capital Corp., Gasque was secretary to Representative John L. McMillan, Democrat, of South Carolina, chairman of the House District Committee. Gasque says he is still a stockholder in Capital (20 shares) but is not an officer of the company. Gasque is assistant clerk to the House District Committee.

Who is Serv-U? Who are its officers?

On March 22, 1963, Serv-U Corp. listed the following officers in an application to do business in the District of Columbia: Eugene A. Hancock, president and director; Ernest C. Tucker, director, vice president, and secretary; James C. Walsh, director and treasurer, and Lorraine H. Tucker, assistant secretary. In the application, the address of each of the persons is listed as 2000 P Street NW.

After Capital's suit was filed, it was reported that Hancock had resigned the Serv-U presidency. Vend phoned Hancock in Miami, Fla., September 16. He confirmed that he had resigned about 30 days earlier but in response to a question said he was still a principal in Serv-U. He declined to name other stockholders in Serv-U.

Vend reached Hancock at the offices of Automatic Vending Service, Inc., 252 Northwest 29th Street, Miami, a full-line vending operation of which Hancock is president. Automatic Vending was founded in 1957 as a proprietorship by John F. Heistand who was more recently treasurer of the company. The firm was incorporated in Florida, March 7, 1958, originally as Automatic Coffee Service of South Florida, Inc. The name was changed to Automatic Coffee Service Co., Inc., and on November 14, 1960, to Automatic Vending Service, Inc.

Automatic Vending and others associated with the company were defendants in a 1961 suit which charged that Grant Stockdale, then U.S. Ambassador to Ireland, exerted political pressure on officials of Aerodex, Inc., and other Miami firms, to permit the installation of Automatic Vending Service equipment.

The suit against Automatic Vending and Stockdale was brought in April 1961 by Pan-Am Tobacco Corp. The suit was filed on the eve of Stockdale's departure for Ireland and at the time Stockdale was quoted as saying, "These people are just out to get some publicity because I'm a U.S. Ambassador." Prior to his appointment as Ambassador, Stockdale was a Dade County, Fla., commissioner, legislator, and finance committeeman in John F. Kennedy's campaign for President.

Because of this association with Automatic Vending Service and with Eugene Hancock, Vend called Stockdale at his Miami offices September 17. Stockdale told Vend that he had disposed of his holdings in Automatic Vending Service about 18 months ago. He said he was "absolutely not" a stockholder in Serv-U Corp.

When Hancock told Vend he had resigned as president of Serv-U 30 days earlier, he was asked who succeeded as president of that corporation. Hancock said the new president was Bill Armstrong, who makes his offices in California.

On the west coast, trade sources report that Armstrong came to California from Florida where he had been employed by Automatic Vending Service. Armstrong was operations manager for Serv-U Corp.'s first big California vending installation at North American Aviation.

As was noted earlier, Serv-U was incorporated in Delaware in December 1961. Records at the California secretary of state's office show that Serv-U Corp. was qualified to do business in California on January 18, 1962. The records do not disclose the stockholders of Serv-U nor do they give any financial information.

After Serv-U Corp. was qualified to do business in California, there was this chain of events:

For more than 20 years, vending machines in North American Aviation Corp.'s facilities in California, and elsewhere, were operated by Automatic Canteen. Canteen was notified that a second vending supplier would come into the picture.

A public relations spokesman for North American told Vend that there was no dissatisfaction with Canteen's service. For years, the spokesman said, North American had had one manual food service supplier and then decided to bring in a second supplier. "Then we decided to do the same thing in connection with our vending. Serv-U came in with a darn good proposal and we took it." There was no bidding in connection with the Serv-U contract and the spokesman said he did not know whether Serv-U came in of its own accord or was invited to make a proposal.

At any event, in February 1962, weeks after it was qualified to do business in California, Serv-U took over vending service at North American's headquarters which employed an estimated 15,000 persons.

Having lost this portion of the North American account, Canteen arranged to sell the vending machine equipment it had in this facility to Serv-U.

In August 1962, with notice to Canteen, North American turned over more of its vending to Serv-U—this time in the Space Division. Again, rather than move the equipment, Canteen sold the machines in the division to Serv-U.

Some indication of the size and scope of this account can be had from an official public notice which appeared Wednesday, December 12, 1962, in the Inglewood (Calif.) Daily News. The publication was headed, "Notice of Intent To Mortgage," and read in part as follows:

"Notice is hereby given pursuant to section 3440.1 of the Civil Code of the State of California, that the undersigned, Serv-U Corp., a Delaware corporation duly authorized to do business in California, whose address is 717 Hindry Avenue, Inglewood, Calif., and whose business is that of owning and operating vending machines for the vending of foodstuffs, merchandise, and tobacco at retail, and which business is known as Serv-U Corp., intends as mortgagor to mortgage to the Fidelity National Bank & Trust Co. of Oklahoma City, Okla., whose address is given below as mortgagee, certain personal property of which the general statement of the character thereof is as follows * * *"

The notice then lists equipment located at 9150 East Imperial, Downey, and at 12214 South Lakewood, Downey. For purposes of condensation, Vend added the two lists to show the following total number of vending machines involved: Cigar, 18; gum, 26; cigarettes, 68; coffee, 74; candy, 103; beverage, 41; pastry, 1; unclassified, 1. In addition, the property included 10 electric carts, 1 Ford-6 truck and 2 Metro-Mite trucks.

Following this listing of equipment, the notice went on:

"The above personal property is located in the plant facilities of North American Aviation at 9150 East Imperial, Downey, Calif., and at Space Division of North American at 12214 South Lakewood, Downey, Calif. The address of the

mortgagee is Park Avenue at Harvey Street, Oklahoma City, Okla. Said chattel mortgage will be given on or after the 19th day of December 1962, and the transaction will close at the office of Serv-U Corp., 717 Hindry Avenue, Inglewood, Calif.

The public notice was signed by Serv-U Corp. by W. R. Armstrong, Jr., vice president, the man who succeeded Hancock as Serv-U president.

The Oklahoma bank, Fidelity National, in 1961 showed as a director Robert S. Kerr, Jr., son of the late Senator Robert S. Kerr, Democrat, of Oklahoma.

Serv-U made its next big vending sale when it took over a portion of the vending business at Northrop Corp., in Ventura, Calif. Previously all of Northrop's vending had been supplied by Automatic Retailers of America, like Canteen a large, well-established and nationally known vending organization.

A spokesman in Northrop's public relations department told Vend that Serv-U was brought in on the basis of competitive bidding when management decided all procurement of any magnitude should be bid. The spokesman said it was against company policy to release the names of those firms which bid on the vending but added that "more than two" companies made bids for this portion of the account.

Serv-U was first awarded the Ventura Division business of Northrop (November 1962) and later (February 1963) the systems support facility at Anaheim.

In June 1963, Serv-U Corp. was awarded a portion of the vending at the Space Technical Laboratories Division of Thompson-Ramo-Wooldridge. This involved a plant near the Los Angeles airport estimated to employ some 500 persons. Harding Williams Co. and Interstate Vending also operate manual and vended food services for Thompson-Ramo-Wooldridge.

At about the same time Capital Vending was filing its suit against Serv-U and the other defendants in Washington, Serv-U was preparing to install still more vending machines at North American Aviation, this time at the Rocketdyne Division.

With completion of the Rocketdyne installation, trade sources estimate that Serv-U Corp. will have displaced some 600 Canteen machines at North American. The machines carry an estimated value of \$300,000, do an annual volume estimated at \$3 million. Adding in Northrop and Space Technical Laboratories, Serv-U Corp.'s annual vended sales volume in California is figured to run at or in excess of \$3.5 million, a remarkable record after only 20 months in business in the State.

So what, if anything, has the remarkable growth of Serv-U Corp. to do with Robert G. Baker, secretary to the Senate majority and a defendant in the Capital Vending lawsuit? The suit alleges that Baker is a stockholder in Serv-U Corp.

To understand why Baker is a key defendant, it is necessary to know something about the man.

Baker came to Washington from Pickens, S.C., the son of a poor family. He first became a Senate page and rose to his present position when then Senator Lyndon B. Johnson became Democratic majority leader of the Senate. When Johnson left the office to become Vice President of the United States, the man he picked as his successor in the majority leader's post, Senator Mike Mansfield, Democrat, of Montana, kept Baker in the job.

In Washington, Baker is not generally regarded as a member of the New Frontier's inner council. This despite the fact that his Senate job involves administering group action by Democratic Senators and most important of all counting votes and, at times, persuading Senators to go along.

Baker is listed on Senate payrolls as receiving annually \$19,611.72. His wife, Dorothy C. Baker, as records manager of the Senate Internal Security Subcommittee, makes \$11,757.36 annually so that their combined annual salaries from the Senate total \$31,369.08. At various times, Baker's brother, Ernest, has been on the Government payroll and Baker's father is now postmaster at Pickens, S.C.

Out of the office, Baker, like other Washington officials, leads an active social life. The society pages of Washington newspapers have carried stories which described parties hosted by Robert G. Baker at the Carousel Motor Lodge at Ocean City, Md.

When the Carousel opened, Baker as host chartered buses to bring about 200 Washington VIP's, including Senators, Congressman, and officials. Vice President and Mrs. Lyndon Johnson attended. So did famed Washington hostess, Perle Mesta. Among the guests was Chief Bob Murray of the Metropolitan Police Department.

Baker has been financially interested in the Carousel Motor Lodge.

Records in the Small Business Administration offices in Washington show the receipt of an application, and approval on May 4, 1962, of a 20-year disaster loan in the amount of \$54,400, bearing 3 percent interest. The loan was made by Robert G. Baker, Dorothy Baker, Donald Novak, Anita Novak, and Gertrude Novak trading as the Carousel Motor Lodge Inn, Ocean City, Md. The purpose of the loan was to repair damage to buildings and equipment caused by a storm March 6-8, 1962.

Much, perhaps most, of the speculation regarding Baker's alleged connection with the Serv-U Corp. centers around the Carousel in Ocean City and around a document on file in the county clerk's office at Snow Hill, Md., the county seat.

The document is a record of a mortgage (book No. Lieber 171, p. 149) executed in Baltimore, Md., March 15, 1963.

Mortgagors are the Serv-U Corp. and Robert G. Baker and Dorothy C. Baker, his wife, of Washington, in the District of Columbia.

Mortgagee is the Fraternity Federal Savings & Loan Association, Baltimore. The amount involved: \$746,000, bearing interest at 6 percent, to be repaid at the rate of \$6,200.95 each month. Fraternity Federal loaned the money for the property known as the Carousel Motor Lodge at Ocean City, excluding from the deed property conveyed by Serv-U Corp., to Carousel Motor Lodge, Inc., by deed dated February 28, 1963.

Serv-U Corp. and Robert G. Baker and Dorothy C. Baker, jointly and severally, are liable to pay the amount of the mortgage.

Both Robert G. Baker and Dorothy C. Baker, as individuals, signed the mortgage document.

The mortgage was signed for Serv-U Corp. (duly incorporated under the laws of the State of Delaware) by Eugene C. Tucker, whose signature appears before the title "vice president." That signature was attested by the signature of Dorothy C. Baker, followed by the title "assistant secretary."

In other words, Baker and his wife signed as individuals and Dorothy C. Baker signed additionally as the assistant secretary of Serv-U Corp.

The signatures of Robert G. and Dorothy C. Baker, as individuals, were witnessed by Thomas E. Kelly, Jr. Kelly's name also appears as notary for the document.

The document was filed with Frank W. Hales, clerk, Worcester County, Md., at 9:54 a.m., March 18, 1963.

Vend has a photocopy of this document in its possession. After the copy had been obtained from the county clerk in Snow Hill, Md., Vend attempted to reach Robert G. Baker. In addition to his office at the Senate, Baker maintains an office and a telephone listing at 2000 P Street NW., where he is a law partner of Ernest C. Tucker.

Failing to reach Baker, Vend talked with Tucker, who confirmed that he and the secretary to the Senate majority were law partners. Tucker said that he was unable to answer questions regarding Serv-U because of the pending lawsuit filed by Capital Vending. He did declare that Serv-U Corp. had purchased the Carousel Motor Lodge from Robert G. Baker, and further explained that the Bakers' names as well as the Serv-U Corp. name will remain on the mortgage document until the loan to Fraternity Federal is satisfied.

Having covered this point, the Vend reporter asked why Robert G. Baker's wife, Dorothy C. Baker, should sign the document as assistant secretary of Serv-U Corp., unless she had some official position with that corporation.

This question Tucker allowed as how he would not answer because of the pending lawsuit.

In view of the phenomenal growth of Serv-U over a 20-month period in a handful of plants owned by corporations who do billions of dollars of business for Uncle Sam, the question of any relationship between Serv-U and either of the Bakers needs an answer.

Senator WILLIAMS. Now, again, without making any suggestions as to what it indicates—if it is of any interest to the committee—I have seen statements in the press and contradictions therein of Baker's association with the 308 N Street Southwest apartment house. There is a Blue Ridge Development Co. in South Carolina, in which he is supposed to be associated. And a credit bureau of Easley, S.C. I do have here a letter from the Federal Housing Administration. I sub-

mitted to them and received their reply of October 24, in which they mentioned specifically each of these corporations—the Blue Ridge Development Corp. in South Carolina, the Credit Bureau of Easley, and the townhouse on 308 N Street Southwest—this was the apartment house—and Baker's participation therein. They outlined the participation as far as the Federal Government is concerned in these same transactions.

Senator CURTIS. Briefly what was Baker's participation in the South Carolina property—that is, so far as the Federal Housing Administration is concerned?

Senator WILLIAMS. I will read it. I will first put—

Senator CLARK. You say Easley?

Senator WILLIAMS. It is the Credit Bureau of Easley, S.C. I will read what they said.

The Blue Ridge Development Corp.:

We are advised by our South Carolina office that the Blue Ridge Development Corp. filed an application for subdivision approval in November of 1955. Subsequently, several applications involving locations in this subdivision were rejected because of noncompliance with subdivision requirements. A conditional commitment to insure a loan for the purchase of one house in the Blue Ridge Development was issued May 1. This will expire November 24, 1963, unless it is converted to a firm commitment or extended. The officers of the corporation as reflected in our files are as follows: Harold Holder, Jr., president; Albert Lewis, vice president; and Dwight A. Holder, secretary-treasurer, all of Pickens, S.C. Mr. Robert G. Baker is shown as the attorney for the corporation.

There has been some suggestion that he was an owner therein, but I thought I would put this in for the record.

Now, on the Credit Bureau of Easley, I will read their statement on that.

You also mentioned the Credit Bureau of Easley, S.C. Our files reflect that Credit Bureau of Easley is an affiliate of Credit Bureau Reports, Inc., which has been awarded a contract for furnishing credit information in South Carolina and in most parts of the United States. This contract was awarded on the basis of nationwide bidding and complied in all respects to the existing regulations of the General Services Administration governing the awarding of Government contracts for such services. Credit Bureau of Easley is managed by Mrs. Becky Chapman, sister of Robert G. Baker.

This credit reporting agency formerly operated in Baker's office in Easley, S.C., but in 1961 he transferred his interest in the company to Mr. and Mrs. Chapman, who now appear as sole owners and operators of the company. The jurisdiction of this company for reporting credit information was Pickens County, S.C. There is no record of any credit reports having been purchased from the Credit Bureau of Easley prior to July 1962. Between July 1962 and July 1963, credit reports costing a total of \$250 were ordered from Credit Bureau Reports, Inc., of Easley. In August of 1963 the director of the FHA office in Columbia, S.C., exercising his discretion, discontinued using the Credit Bureau Reports, Inc., of Easley and switched to the Credit Bureau Reports, Inc., of Greenville, S.C.

Also, Baker's participation and the extent to which the Government has financed this home on 308 N Street is included in this letter, and I submit both of those, along with the newspaper article of the Washington Post, October 23, 1963, which outlines the questions raised. Many of the questions raised in their article are answered in this FHA letter.

Senator SCOTT. Financed by what Government agency, Senator?

Senator WILLIAMS. The Federal Housing Administration.

(The documents referred to follow:)

WILLIAMS EXHIBIT 22



FEDERAL HOUSING ADMINISTRATION

Washington, D. C. 20411

Office of
THE COMMISSIONER

66-24111

Honorable John J. Williams
United States Senate
Washington, D. C. 20510

Dear Senator Williams:

You recently wrote requesting information about any FHA insured loans which might have been approved for the following corporations: (1) the Blue Ridge Development Corporation of Pickens, South Carolina; (2) the Credit Bureau of Easley, South Carolina; (3) Serv-U Corporation, 2000 P Street, N.W., Washington, D.C.; and (4) the Carousel Motor Inn, Ocean City, Maryland. You also inquired as to whether there were any FHA transactions involving Mr. Robert G. Baker or Mr. Ernest C. Tucker. Your office subsequently inquired with respect to any FHA activity involving Mecklenberg Enterprises.

We have begun an examination of our files. In order that you may have the requested information as soon as possible, I should like to make this preliminary report.

The files do not reflect that any FHA insured loans were made to the Serv-U Corporation or the Carousel Motor Inn. The Federal Housing Administration's activity, of course, is restricted to the insurance of loans for housing and does not cover any commercial activity including hotels or motels.

We are advised by our South Carolina office that the Blue Ridge Development Corporation filed an application for subdivision approval in November of 1955. Subsequently, several applications involving locations in this subdivision were rejected because of noncompliance with subdivision requirements. A conditional commitment to insure a loan for the purchase of one house in the Blue Ridge Development was issued May 1. This will expire November 24, 1963 unless it is converted to a firm commitment or extended. The officers of the Corporation as reflected in our files are as follows: Harold Holder, Jr., President; Albert Lewis, Vice President; and Dwight A. Holder, Secretary-Treasurer, all of Pickens, South Carolina. Mr. Robert G. Baker is shown as the attorney for the Corporation.

You also mentioned the Credit Bureau of Easley, South Carolina. Our files reflect that Credit Bureau of Easley is an affiliate of Credit Bureau Reports, Inc., which has been awarded a contract for furnishing credit information in South Carolina and in most parts of the United States. This contract was awarded on the basis of nationwide bidding and complied in all respects to the existing regulations of the General Services Administration governing the awarding of government contracts for such services. Credit Bureau of Easley is managed by Mrs. Becky Chapman, sister of Robert G. Baker.

1846 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

WILLIAMS EXHIBIT 22—Continued

- 2 -

This credit reporting agency formerly operated in Baker's office in Easley, South Carolina, but in 1961 he transferred his interest in the company to Mr. and Mrs. Chapman, who now appear as sole owners and operators of the company. The jurisdiction of this company for reporting credit information was Pickens County, South Carolina. There is no record of any credit reports having been purchased from the Credit Bureau of Easley prior to July 1962. Between July 1962 and July 1963, credit reports costing a total of \$250.00 were ordered from Credit Bureau Reports, Inc. of Easley. In August of 1963 the Director of the FHA office in Columbia, South Carolina exercising his discretion discontinued using the Credit Bureau Reports, Inc. of Easley and switched to the Credit Bureau Reports, Inc. of Greenville, South Carolina.

Our records indicate that Mr. Baker was approved as one of a group for membership in a cooperative rental project in Washington, D. C. The project is known as "River Park Mutual Homes, Inc." and is located in Southwest Washington, D. C. The unit listed in Mr. Baker's name is shown as 308 N Street, N.W. The monthly carrying charges were \$249.00. A \$1600 cash down-payment, including the \$500.00 subscription price for membership in the cooperative, was required.

FHA processing, insofar as Mr. Baker individually was concerned, was primarily a review of his ability to carry the obligations of a member of the Cooperative. Mr. Baker's name, together with many others, was submitted for this review and approval. The application was regular in all respects and was routinely approved.

With specific reference to the three questions posed by your letter, I would point out that Mr. Baker, as an individual, did not receive a loan. His involvement was that of an individual member of a Cooperative Association. The FHA insured loan was made to the River Park Mutual Homes, Inc., a Cooperative Association, rather than to individual members. Responding to your questions, the insured mortgage executed by the Cooperative Association was in the amount of \$9,231,600; the mortgage was executed on August 21, 1963; the mortgage rate of interest was 5-1/4%; the term of the loan was 40 years; and the project consists of 519 units. We have no record of any delinquency on this insured mortgage.

As soon as we have completed our examination, I shall be in touch with you further.

Sincerely yours,

P. N. Brownstein
P. N. Brownstein
Commissioner

WILLIAMS EXHIBIT 23

[From the Washington Post, Oct. 23, 1963]

BAKER OWNS TOWNHOUSE IN SOUTHWEST AREA

FOUR-BEDROOM HOME ON N STREET OCCUPIED BY HIS FORMER AID

(By Jack Landau and Laurence Stern, staff reporters)

A modernistic \$28,000 Southwest townhouse is the newest financial knot in the tangled affairs of Robert G. (Bobby) Baker, the former Senate majority secretary.

Baker is listed as the owner of the three-story four-bedroom house at 308 N Street SW., in the cooperative development of River Park.

Baker stated on an occupancy agreement that he and his immediate family would live in the house. However, the plush, lavender-carpeted home has been occupied by Carole N. Tyler, Baker's former administrative assistant, and Mary Alice Martin, a former secretary on the staff of Senator George Smathers, Democrat, of Florida.

Baker, Miss Tyler, and Miss Martin could not be reached for comment. Baker and his family presently live in a \$125,000 mansion at 5115 Van Ness Street NW. This house was sold last May by the Tennessee Gas Transmission Co. and deeded to Baker's law partner, Ernest C. Tucker, as trustee for an unknown person.

Baker applied to River Park Mutual Homes, Inc., last October to purchase the N Street house. On the application he stated that Miss Tyler was his cousin and that she and Miss Martin would occupy the house.

The cooperative rules and the Federal Housing Authority standard form occupancy agreement specify that the owner should occupy the home.

A spokesman for River Park said: "We knew of the weight that Mr. Baker carried on the Hill and we decided to let the loan process through the FHA."

An FHA spokesman said the housing agency approved Baker as a suitable credit risk for the downpayment of \$1,600 and the monthly carrying charges of \$219. The spokesman pointed out that FHA is primarily interested in a purchaser's ability to pay and not who occupies the house.

On the application form, Baker said his household expenses are about \$3,000 a year. He listed as a personal reference, Glen Troop, a representative of the U.S. Savings & Loan League in Washington, and as financial references, the American Security & Trust Co., and Raleigh Haberdasher.

Baker filled out a detailed credit application which FHA said it could not disclose. On the subscription agreement with the cooperative, Baker said he would sign an FHA standard form occupancy agreement and a lawyer for the cooperative reported that he did sign the agreement.

The agreement states: "The member shall occupy the dwelling unit * * * as a private dwelling for himself or for himself and his immediate family, and for no other purpose * * *"

A spokesman for River Park said Baker paid the monthly carrying charges himself but that the former Senate aide had no other contact with the management office. He said he did not know of any sublease agreement between Baker and the two girls and pointed out that any sublease would have to be approved by the cooperative.

Neighbors said that Miss Tyler, Baker's \$8,000-a-year administrative assistant, and Miss Martin moved in a year ago preceded by an array of carpetlayers, carpenters, painters, and furniture men.

Senator Smathers' office reported that Miss Martin is now working in Miami for I. Scott Peek, Smathers' former administrative assistant for whom she acted as secretary. Peek recently opened a public relations office in Miami.

Meanwhile, Senator B. Everett Jordan, Democrat, of North Carolina, announced that he will hold a meeting at 10 a.m. today of the Senate Rules Committee, which he heads, to begin a formal inquiry into any possible conflicts of interest in the Bobby Baker case.

A spokesman for Jordan's office said that the initial meeting would take up the organization and form of the inquiry.

The Senate investigation was started shortly before Baker's resignation 2 weeks ago from his \$19,500-a-year Senate job after the FBI and the Internal Revenue Service started looking into his extensive business interests.

In another development, the Serv-U Corp. filed a blanket denial to all material allegations of a lawsuit claiming that the vending machine firm had used influence to gain vending machine franchises.

Serv-U, which has offices in Washington and in Inglewood, Calif., denied that it interfered in the vending machine contract held by Capitol Vending Co., Inc., Washington, with Melpar, Inc., of Falls Church. Capitol filed the suit after the contract was canceled.

The other defendants in the suit, who have already filed their answers in the U.S. district court, are Baker; Fred Black, Jr., a Government relations consultant for North American Aviation Corp.; and Ernest C. Tucker, Baker's law partner and chairman of the board of Serv-U. All denied the allegations in the suit.

Senator WILLIAMS. There is a report in the October 23 Washington Daily News, which I will submit, entitled, "Baker Shared in Motel

With Influence Peddler," and there refers to the interest in the Howard Johnson Lodge.

I submit that article for the record.

(The article referred to follows:)

WILLIAMS EXHIBIT 24

[From the Washington Daily News, Oct. 23, 1963]

INTEREST IN A HOWARD JOHNSON LODGE—BAKER SHARED IN MOTEL WITH INFLUENCE PEDDLER

(By Julian Morrison)

The outside business deals of former Senate Majority Secretary Robert G. (Bobby) Baker included a North Carolina motel partnership with a man later convicted as an influence peddler, the Washington Daily News has learned.

The partner in the Howard Johnson Motor Lodge in Charlotte is the Raleigh businessman and former Senate aid, Kidd Brewer, who was sentenced to jail last year for meddling in a highway road sign contract while serving as an agent of the Minnesota Mining & Manufacturing Co.

Brewer and former North Carolina Highway Engineer Robert A. Burch were convicted of conspiring to write specifications for highway signs in such a manner that the 3-M company would get the contract.

DENIAL

The company denied any knowledge of Brewer's actions. The North Carolina Supreme Court upheld the convictions of both Brewer and Burch.

Mr. Baker, who quit his influential Senate job earlier this month, is charged in court here with using his influence to cancel a local vending machine firm's contract with a defense manufacturer after the firm had paid him to obtain the contract in the first place.

The company which operates the Charlotte motel lists as its directors Mr. Baker, Brewer, and Raleigh Contractor Seab B. Jones.

One of the early investors in the enterprise was Commerce Secretary Luther H. Hodges, who was then Governor of North Carolina. He sold his \$50,000 share to Mr. Baker and Mr. Jones when he was named to his present post in 1961.

INVESTMENT

There is no evidence that the Commerce Secretary's interest in the motel was anything other than an investment.

He said he was approached by Mr. Jones as a potential investor when Brewer failed to put up his share of the money to construct the motel, and that at no time did he have any personal dealings with either Brewer or Mr. Baker.

The former Governor said he had financial interests in several other unconnected Howard Johnson franchises in the State but sold all of them when President Kennedy asked him to become Commerce Secretary.

It was understood that Mr. Baker recently sold his interest in the Charlotte motel and has acquired an interest in a motel near Florence, S.C.

Mr. Baker's part ownership in another motel, the Carousel, near Ocean City, figures in the lawsuit filed against him in September.

The suit alleges that he sold it to the Serv-U Vending Co., a firm which has obtained several lucrative contracts with defense contractors since it was formed less than 2 years ago.

FLAT DENIAL

Yesterday, Serv-U, which is a codefendant with Mr. Baker in the suit, filed a flat denial to all allegations made concerning it.

Mr. Baker and the other defendants, his law partner, Ernest C. Tucker, and North American Aviation Corp. Consultant Fred B. Black, Jr., had previously filed similar denials to the charges.

Meanwhile the Senate Rules Committee met behind closed doors this morning to plan its investigation of Mr. Baker's finances.

As a byproduct of the inquiry, the committee was expected to take up the Senate employees pay system, under which jobholders are paid by cash, unless they specifically ask for checks.

Meanwhile, Senator Hugh Scott, Republican, of Pennsylvania, said he'll fight to head off any delay in the inquiry, or any move to have the probe handled by a subcommittee. He said he expected such a move.

Senator WILLIAMS. I have some information in connection with this. The record shows as of July 16, 1962, Robert Baker claimed a 50-percent ownership in a 42-unit motel in Charlotte, N.C., which is the Howard Johnson Motel and Restaurant. His interest at that time was valued at \$120,000. Now, according to this news story appearing in the Washington Daily News of October 23, 1963, Baker shared this ownership with a former Senate aid, Kidd Brewer. Kidd Brewer according to the report was sentenced to jail last year for meddling with highway sign contracts while serving as an agent for the Minnesota Mining & Manufacturing Co. He is just referred to in the article as "former." I do have the financial interest of Baker in this particular connection, and I only submit it for what it is worth since it is not referred to in that article.

I just have a couple more items here, Mr. Chairman. I want to be in a position to say I have delivered to the committee what information I have in connection with this case. There are certain other miscellaneous charges. I am only backgrounding my information as they appeared in the press. I have developed very little information therein. And if I get more, I will submit it to the committee, but I mention these. They involve rather serious charges.

The first one is under date of October 2. They appeared in the Washington Daily News. This article charging that Robert Baker in his official capacity had accepted kickbacks of \$50 a month from the salary of a boy who was employed as a telephone page in the Senate.

(The article referred to follows:)

WILLIAMS EXHIBIT 25

[From the Washington Daily News, Oct. 2, 1963]

SENATE OFFICER ADMITS "RAID" ON WORKER'S PAY

(By Seth Kantor, Scripps-Howard staff writer)

Robert G. Baker, secretary to the Senate majority, admits that \$50 a month was withheld from the salary of a teenaged Senate employee, and that he allowed the \$50 to be paid to somebody else.

Mr. Baker says he "can't remember" who the somebody was.

The withholdings took place early in 1962 and went on for 3 months, according to Boyd Richie, now 18 and a prelaw student at the University of the South, Sewanee, Tenn.

COMPLAINED

Mr. Richie, son of a wealthy Texas attorney, said the raid on his salary was stopped only when he complained to Vice President Lyndon B. Johnson.

Mr. Baker, considered a powerful figure in the Senate, also served as secretary for the majority when Mr. Johnson was majority leader. He now serves under Senator Mike Mansfield, of Montana, present majority leader.

Young Richie, a steady beau last year of the Vice President's older daughter, Lynda Bird, was carried on the Senate payroll at \$483 a month as a telephone page.

He said he protested to Mr. Johnson when \$50 was deducted each month without his consent. Mr. Baker admitted the money was withheld but denied the Vice President ever "spoke to me about it. I simply learned the boy was unhappy, and I straightened out the situation."

WOULD SEARCH

Mr. Baker at first said he would have to search his files to find out where the \$50 a month went. But presumably after 24 hours of "search," Mr. Baker handed a reporter this typed statement:

"I feel I should not comment on any arrangements which may have occurred between employees in which I was not involved and concerning which I do not have all the facts."

He said he would "continue to search my files" to see what happened with the money.

This is the story as Mr. Richie, of Wichita Falls, Tex., tells it: Mr. Richie came here as a Senate page under the patronage of Senator Ralph Yarborough, Democrat, of Texas, in 1960 for a year. When the year was up Mr. Johnson got him placed as an assistant to Mr. Baker, in the Senate Democratic cloakroom.

At the time, Mr. Richie said, he was rooming with Walter J. Stewart, another Senate employee working under Mr. Baker, and paying Mr. Stewart \$50 rent monthly. Mr. Stewart was called to active duty as a military reservist during the Berlin crisis.

According to Mr. Richie, Mr. Stewart was stationed at nearby Andrews Air Force Base but "spent much of his time still working for Mr. Baker." Mr. Baker verified this. Mr. Stewart continued to live at home.

You can't get two Government salaries so, according to Mr. Richie, "I was told unofficially that \$50 a month was being taken from my salary to help Mr. Stewart along—\$50 a month, on top of the \$50 I was paying him for rent."

After he had made his complaint to the Vice President, he was allowed to live "rent free for 3 months, to even up for the money taken from my pay," Mr. Richie said.

Senator WILLIAMS. The second one appeared in the press of October 3, another article charging that Edward E. Horgan had been put on the Senate payrolls as an employee in the Senate Democratic cloakroom at \$120 a week while attending Montana State University. Allegedly he collected \$1,936.32 while attending school.

(The article referred to follows:)

WILLIAMS EXHIBIT 26

[From the Washington Daily News, Oct. 3, 1963]

ON BOBBY BAKER'S PAYROLL—EX-HILL WORKER GOT \$2,000 PAY WHILE AT SCHOOL

(By Seth Kantor, Scripps-Howard staff writer)

A 20-year-old Senate employee of Robert G. (Bobby) Baker, secretary to the Senate majority, received nearly \$2,000 as an on-the-job employee in the U.S. Capitol while he was more than 2,000 miles away in college.

Edward E. Horgan, Jr., now 22, said today he was attending Montana State University during the autumn of 1961, while receiving an average of \$120 a week as an employee in the Senate Democratic cloakroom.

Mr. Horgan is now an employee of the Commerce Department by day and is majoring in English at American University at night.

He attended Montana University at Missoula, Mont., for 9 months and for 4 of these months—September through December 1961—he was carried on the Senate payroll at \$484.08 a month.

"I was paid at Mr. Baker's discretion," Mr. Horgan said. "I had been on his payroll since 1958. A Senator or a top officer of the Senate such as Mr. Baker is not denied the right by law from paying anyone he wishes within his budget."

Mr. Horgan, who now works in the Commerce Department's Business and Defense Services Administration, said he "gathered that I was kept on the Senate payroll because I had been a faithful employee, and it figured I would be back to work for Mr. Baker."

In all, Mr. Horgan received \$1,936.32 as an employee in the Senate while he actually was in school.

Mr. Baker was "not available" for comment.

The disclosure is another thorn to Mr. Baker, whose own outside activities are at a point of a lawsuit.

In the suit, a local vending machine firm says he has a financial interest in Serv-U, a rival firm with extensive aerospace industry contracts, as well as a local "consultant" for the North American Aviation Corp.

It charged he conspired to get the rival's contract with Melpar, Inc., canceled.

He and other defendants have not yet replied to that suit in district court here.

Senator WILLIAMS. The third allegation——

Senator PELL. Excuse me for interrupting. Was that that he had not received the money, or that he had been away?

Senator WILLIAMS. Presumably, he had received the money, but he had not performed the work. As I say, I am presenting this since these allegations have been made, for certainly they are going to have to be checked. It has also been charged—and this one I don't have any support of but I have heard it rumored, and it is rumored entirely too much. This is information which is readily available to the Rules Committee, and that is to the effect that during the past few years Robert Baker charged as official his many personal calls throughout the country. These calls allegedly were being made in connection with his numerous business connections throughout the country. I am presenting that as a rumor only. That could very readily be established and laid at rest if there is no truth to it.

I want to make it clear I have nothing to support the allegation, but I do know that it should be checked. I only refer here to one article where they said, "The Senate Hangs Up Phone on Record."

And as long as these things go unanswered, questions are raised. Ofttimes the answering of it is much less damaging than the facts. (The article referred to follows:)

WILLIAMS EXHIBIT 27

[From the Washington Daily News, Oct. 24, 1963]

BAKER CALLS IMPOUNDED—SENATE HANGS UP PHONE ON RECORD

(By Julian Morrison)

The Senate Rules Committee yesterday rejected this newspaper's request, first made last week, to inspect the telephone records of former Majority Secretary Robert G. (Bobby) Baker.

The rejection came as the committee voted unanimously to begin next Tuesday its own closed-door investigation into the complex and widespread outside business dealings of the 35-year-old South Carolinian.

The first witness Tuesday will be Senator John J. Williams, Republican, of Delaware, who jumped the gun on Senate Democrats by conducting his own probe into Mr. Baker's conduct.

The Washington Daily News attempted to obtain the telephone records of Mr. Baker's office from Senate Sergeant at Arms Joseph Duke last Thursday but was told the Rules Committee would have to approve their release.

DON'T GO BACK

A spokesman in Mr. Duke's office said that, in any case, no records could be provided that would go back "more than 2 or 3 months because we destroy them after that."

This practice is in sharp contrast to that followed in Senate Secretary Felton Johnston's office, which keeps virtually every scrap of paper dealing with senatorial expenses and makes a voluminous annual report on them to the Senate itself. The vouchers are available to reporters.

In declining to open the telephone records yesterday, the Rules Committee said that its chairman, B. Everett Jordan, Democrat, of North Carolina, "is authorized to request whatever information is available from any source in the Senate that is pertinent to this resolution" (to hold the inquiry).

"The same is to be retained and used by the committee only," it ruled.

BASIS

The Daily News' request was based on a desire to determine whether any calls were made from telephones in Mr. Baker's office during the last 5 years which did not deal with official Democratic majority business.

Senator Jordan on Tuesday assured the News that the phone records of the office "will be scrutinized by the committee."

The Rules Committee probe follows a series of newspaper stories about Mr. Baker's outside business activities.

The newspaper accounts, in turn, followed a court suit charging that he used his influence to cancel a vending machine company's contract with an electronic manufacturer after the vending firm paid him \$5,600 to obtain and keep the contract.

Mr. Baker and his codefendants, who include his law partner, an aircraft firm's Washington consultant, and a second vending machine company, have denied the charges.

Among the documents already given the committee are several which resulted from stories published recently by the Washington Daily News and other Scripps-Howard newspapers dealing with salaries paid by Mr. Baker to several Senate employees of his office.

EXAMPLES

The stories disclosed that, in one instance, a page was actually in college while being carried on the payroll. In another, a Washington newspaper copyboy was paid a full-time salary for only part-time work.

Senator Jordan said yesterday that Senate Majority Leader Mike Mansfield, of Montana, has given him the names and depositions of four Senate pages who were asked about payroll discrepancies occurring in Mr. Baker's regime.

These appear to include the two already brought to light, as well as Edward E. Horgan, Jr., a nephew of Charles Murray, son of the late Senator James E. Murray, Democrat, of Montana. He was a page under Senator Murray's patronage for 3 years, then was promoted to a \$5,800 job under Mr. Baker in 1958.

Senator Jordan said Mr. Horgan was on Mr. Baker's staff payroll as a telephone page for nearly 4 months during 1961—while he was attending Montana State University.

He said that Mr. Baker, who has been unavailable to reporters since his resignation early this month, had neither been asked nor had volunteered to appear before the inquiry.

The decision that the full nine-man committee investigate Mr. Baker was seen by some observers as a victory for Republican Senator Hugh Scott, of Pennsylvania, who had previously objected to reports that the probe might be turned over to a subcommittee.

WILL DEPEND

Senator Jordan told reporters after yesterday's session that the scope of the investigation has not yet been determined. "We don't know how far this is going to involve us. How far we go will depend on Senator Williams' information."

There is no law now on the books that prevents Senate employees from engaging in outside business dealings, but it is illegal for them to use their Senate influence in connection with such activities.

Senator Jordan yesterday made it clear that the probe will deal first, if not exclusively, with Mr. Baker despite suggestions by some Senators that it include possible conflicts of interest by Members of Congress.

"The Bobby Baker thing triggered this investigation," he said, and "we're going to start with the Baker case."

Senator WILLIAMS. I do know the Rules Committee does have ready access to all of this information. Now, there is just this last one—and I am going to suggest that this gentleman be called as a witness to the committee. I think it would be far better for him to present his testimony direct than it would be for me to tell you the testimony as he told me, because I realize that that would have no effect.

He claims rather widespread knowledge of many of these subjects. I have discussed many of these transactions with him and could report in detail what he has told me. But he is willing to testify. This is

a partner of Baker—Mr. Don Reynolds, of the Don Reynolds Insurance Co. He lives right here in Washington.

I have seen it denied in the press that Baker was an owner or a participant in this partnership. However, I have records which I can submit to the committee, if necessary, to show that as of July 16, 1962, Robert Baker was claiming ownership of 10 shares of the company with a market valuation of \$5,000.

The CHAIRMAN. What company is that?

Senator WILLIAMS. That is the Don Reynolds Insurance Co.

Senator CURTIS. Mr. Williams, would you excuse me a minute? I have to go. Mr. Chairman—

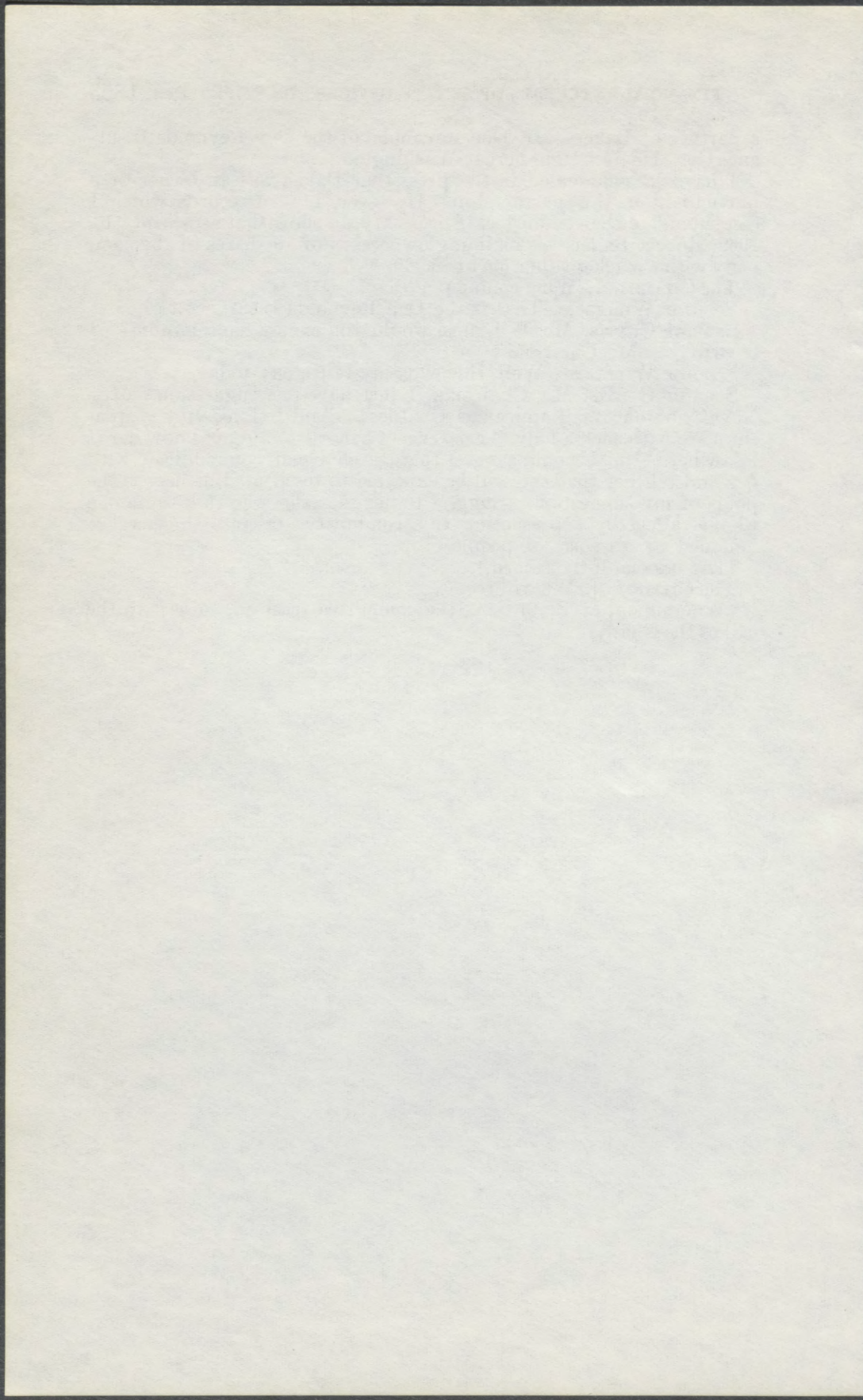
Senator WILLIAMS. Well, this ends my testimony today.

Senator CURTIS. Mr. Chairman, I just have one suggestion. Mrs. Novak no doubt will appear as a witness. And I think—my sympathies are with such a lady. I never met her. I would not know her if I saw her. But I would suggest that the chairman communicate with her and tell her that she will be expected to testify. But here is the point of my suggestion. Suggest to her that she is to talk to no one who is allegedly representing this committee—because she may be hounded by all sorts of people.

(Discussion off the record.)

The CHAIRMAN. We will recess.

(Whereupon, at 12:45 p.m., the committee recessed, subject to the call of the Chair.)



FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

THURSDAY, NOVEMBER 14, 1963

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

The committee met, pursuant to recess, at 10:30 a.m., in room 301, Old Senate Office Building, Senator B. Everett Jordan (chairman) presiding.

Present: Senators Jordan, Hayden, Cannon, Pell, Clark, Byrd of West Virginia, Cooper, and Scott.

Also present: Gordon F. Harrison, staff director; Hugh Q. 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; and John Herberg, legislative counsel.

The CHAIRMAN. The committee will come to order.

* * * * *

The CHAIRMAN. Senator Williams, we are glad to have you with us again. We would be glad to hear from you at this time and to receive any information you have to present.

TESTIMONY OF HON. JOHN J. WILLIAMS, A U.S. SENATOR FROM THE STATE OF DELAWARE—Resumed

Senator WILLIAMS. Thank you, Mr. Chairman.

I apologize for coming to the committee a second time, but since my other appearance I have had an opportunity to get certain information which I know that your committee will be wanting. I thought since I had it it could be turned over to you for your use, and there is no use of you trying to track it down.

The CHAIRMAN. Pardon me just a minute. The oath you took the other day is still in effect. You are still presenting sworn testimony. I wanted that for the record.

Senators WILLIAMS. First, information came to me in connection with Mr. Baker's activities with a meat company in Haiti. Now, that was referred to yesterday somewhat by the New York Times, and again this morning, copies of which you can get. They go into some detail.

This company is the Haitian American Meat & Provision Co., known as Hampco, of Port-au-Prince, Haiti. The manager is a man by the

name of Bill Steed. And the New York Times identified Gordon B. Duval as the president, and Mr. Dancy as the vice president. But it seems that around 1960, 1961, another story developed. As I got it from a Mr. William E. Kentor, of the Packers Provision Co., Inc., 7516 North Sheridan Road, Chicago, Ill., Mr. Kentor says that his company began negotiations with this Haitian company around 1960, 1961, trying to get representation to handle their output. But they told him at that time that they were tied up in a contract with a company in Puerto Rico by the name of Borinquen. That company is in San Juan, P.R.

But in late 1962 he said he received a call with information that they were open for negotiations, and he went down to see them. The first price mentioned was 37 cents a pound. As most businessmen would, he told them he thought it was a little high but they could negotiate, and they started negotiating on that price. He was told then, he said, that this 37 cents a pound would represent 36 cents for the plant and 1 cent brokerage. No mention was made as to whom the broker would be. And of course he was interested in his overall price, which was the 37 cents, and he did not enter into that point.

Later, they agreed that 36½ cents would be his price, the maximum price he could pay. The company then said they would accept that, but it would be 36 cents still to the plant and the broker would have to reduce his charge to half a cent. It was at that time that the name of the broker entered into the discussion. He was told that he should send to the plant each month the 36 cents in payment of the beef, and the one-half cent per pound would go to this broker whom they identified as Tucker & Baker, here in Washington. He said he had had no connections with Tucker & Baker, and as far as he was concerned they were not in the deal at all.

As the arrangements were worked out—he said he would need an invoice for his files in order to pay the company. And not knowing exactly how many pounds it would be each month, the arrangements were worked out that he was to send the check to the plant for their payment, and then at the end of each month, or approximately then, he would send a check to Tucker & Baker for the one-half cent per pound, following which they would submit to him a receipted invoice to cover some item so they could put it in their files.

Now, I have here the checks which were sent beginning in 1963 on these payments.

On March 28, 1963, the Packers Provision Co., in Chicago, sent Tucker & Baker check No. **xxxx** for \$459, and they received a receipt back under date of February 1, 1963, from Tucker & Baker, marked "For legal services rendered"—in February.

Now, the second check was dated May 13, 1963. That is check No. **xxxx** in the amount of \$2,134.37. That check, too, is payable to Tucker & Baker, and they received a receipt on that dated May 1, 1963, marked "For contractual services."

The third check is dated August 16, 1963, check No. **xxxx** for \$3,522.92, payable to Tucker & Baker, and that receipt is dated August 1963, marked "For legal services for May, June, and July."

Then I have a letter here which I will submit, under date of November 5, 1963, addressed to myself, signed by the official of the Chicago—of the Packers Provision Co., in Chicago, in which they refer to another check, No. **xxxx** for \$2,185.92, and marked payable to Tucker & Baker, but they do not have a receipt yet because that check has just been sent to them. The receipt for it will be submitted later.

Now, Mr. Kentor said that as far as his company is concerned no legal services had been rendered nor have any other services been rendered to the company, but he was making this payment as a part of the agreement which he had with the company in Haiti.

It was his understanding—and although he did not have anything to really support it, although I notice that the New York Times likewise referred to it—that since 1960 and 1961 this Puerto Rican company, by the name of Borinquen, has been collecting a similar fee and submitting it to someone, supposedly a company with which Baker was involved. But you could get that information from this Puerto Rican company itself. I do not have it.

I do have a memo here which may be of interest to the committee. It is prepared by Mr. Benson of the staff of the Senate Finance Committee, and this memo outlines the problem confronting the company in Haiti in 1961 in getting this meat acceptable for import into the United States, along with the action which was taken thereon. Now, Mr. Benson has not followed this through to see whether there was anyone interceding in behalf of these rulings which they needed from the various departments, principally the Agriculture Department.

He does have a table which shows the spectacular manner in which imports of beef have risen since this contract was signed, coming into this country from these countries. Included in this report is the report on Nicaragua and Costa Rica, both of which, I understand, will be involved in this before it is over.

Senator SCOTT. Mr. Chairman, may I ask the Senator—will those be included in the record?

Senator WILLIAMS. Yes; these will all be included in the record—along with copies of these checks, which do definitely establish that there was a tie-in with Mr. Baker and the importing of this beef from Haiti.

1858 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

(The documents referred to follow:)

WILLIAMS EXHIBIT 28

PACKERS PROVISION CO. INC.

7518 NORTH SHERIDAN ROAD
CHICAGO 26, ILLINOIS

No XXXX

LAKE SHORE NATIONAL BANK
CHICAGO 11, ILLINOIS

DATE 1/28/63

XXXX

PAY THE SUM OF \$459.00 DOLLARS \$459.00

PAID

PACKERS PROVISION CO. INC.

TO THE
ORDER
OF

Tucker & Baker
Suite 605
2000 P Street N.W.
Washington 6, D.C.

XXXX

XXXX

XXXX

XXXX

WILLIAMS EXHIBIT 29

LAW OFFICES

TUCKER AND BAKER

SUITE 605 HEADQUARTERS BUILDING
2000 P STREET N.W. WASHINGTON CIRCLE
WASHINGTON 6 D C

SOUTH CAROLINA OFFICE

101 SO PENDLETON ST
BARTLEY, SOUTH CAROLINA
TELEPHONE 4606

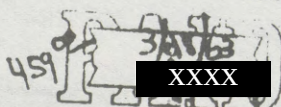
February 1, 1963

Packers Provision Co., Inc.
7518 North Sheridan Road
Chicago 26, Illinois



For Legal Services Rendered, February, 1963.

\$459.00



FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1859

WILLIAMS EXHIBIT 30

PACKERS PROVISION CO., INC.
7515 NORTH SHERIDAN ROAD
CHICAGO 25, ILLINOIS

No

XXXX

LAKE SHORE NATIONAL BANK
CHICAGO 11, ILLINOIS

DATE 5/23/63

XXXX

PAY

THE SUM OF 17 CENTS DOLLARS \$2.17

TO THE
ORDER
OF

Tucker and Baker
Suite 605
2000 P Street N.W.
Washington 6, D.C.

XXXX

XXXX

#22957
XXXX

1860 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

WILLIAMS EXHIBIT 31

LOWE'S
TUCKER AND PARKER
2000 N. STATE ST. CHICAGO, ILL.
WASHINGTON, D. C.

NO. OF INVOICE
DO PAYMENT
TAX BY SOUTH CAROLINA
TELEPHONE NO.

May 1, 1963

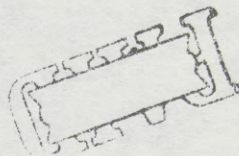
Packers Provision Company, Inc.
7518 North Sheridan Road
Chicago 26, Illinois

XXXX

For Contractual Services.

\$2,134.37

WEIGHT VERIFIED
PRICE OK
EXHIBIT
POSTED
AUTHORIZED



FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1861

WILLIAMS EXHIBIT 32

PACKERS PROVISION CO., INC.

7516 NORTH SHERIDAN ROAD
CHICAGO 26, ILLINOIS

No

XXXX

LAKE SHORE NATIONAL BANK
CHICAGO 11, ILLINOIS

DATE 8/16/63

XXXX

PAY

TO THE
ORDER
OF

Tucker & Baker
2000 P St. N.W.
Washington, D.C.

PAID
DOLLARS 1.575
DOLLARS 1.575
PACKERS PROVISION CO., INC.
P. Michael
AUG 22 1963
LAKE SHORE NATIONAL BANK

XXXX

XXXX

78202

LAKE SHORE NATIONAL BANK
WASHINGTON, D.C.

XXXX

DEPOSIT
Tucker and Baker

1862 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

WILLIAMS EXHIBIT 33

LAW OFFICES
TUCKER AND BAKER
SUITE 605 HEADQUARTERS BUILDING
2000 F STREET N.W. WASHINGTON, D.C.
WASHINGTON 6, D.C.

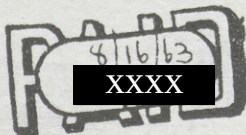
SOUTH CAROLINA OFFICE
101 SO. PENNINGTON ST.
EASLEY, SOUTH CAROLINA
TELEPHONE 5886

August 19, 1963

Packers Provision Company, Inc.
7518 North Sheridan Road
Chicago 26, Illinois

INVOICE

Legal Services for May, June, July \$3,522.91



WEIGHT VERIFIED 87
PRICE OK 2
EXTENSION OK 2
POSTED all July

WILLIAMS EXHIBIT 34

PACKERS PROVISION CO., INC.,
Chicago, Ill., November 5, 1963.

Senator JOHN J. WILLIAMS,
Senate Office Building,
Washington, D.C.
(Attention of Miss Lenhart).

DEAR MISS LENHART: Enclosed, please find photocopies (front and back) of our check No. **XXXX** dated October 23, 1963, issued to Tucker & Baker in the amount of \$2,185.92.

The original check was mailed to Tucker & Baker on October 23, accompanied by a letter requesting that, as per usual procedure, they send us, by return mail, a voucher to cover this remittance. As of this date, they have failed to comply. For that reason, I am unable to comply fully with Mr. Kentor's instructions of last week, at least for the present.

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1863

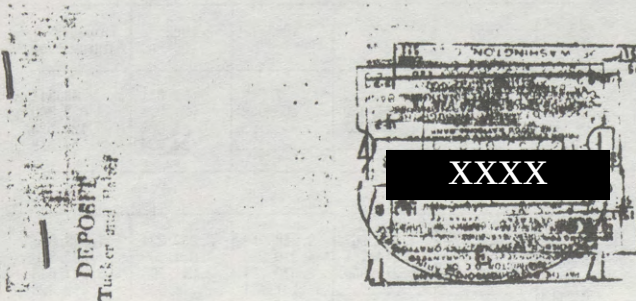
However, as soon as their voucher is received at this office, I will see to it that it is photocopied promptly, and that said copy is immediately mailed to your attention.

Very truly yours,

JAMES P. McNALLY,
Secretary-Treasurer.

WILLIAMS EXHIBIT 35

PACKERS PROVISION CO., INC. 7518 NORTH SHERIDAN ROAD CHICAGO, ILLINOIS 60628		Nº	XXXX	XXXX
CHECK NO.		DATE 10/23/63	AMOUNT \$2,185.92	
PAY	Tucker & Baker Suite 605 2000 P. Street N.W. Washington 6, D.C.			
LAKE SHORE NATIONAL BANK CHICAGO, ILLINOIS		PACKERS PROVISION CO., INC. 1963 Tucker & Baker		
		XXXX		



WILLIAMS EXHIBIT 36

MEMO RE MEAT IMPORTS FROM HAITI

The Department of Agriculture has the responsibility of clearing foreign meat-packing plants and shipments of meats from those plants to the United States. The Meat Inspection Division may get requests directly from foreign packing plants, or they may get requests through the State Department, probably as a result of the foreign government requesting action.

Early in 1959 a request came from the Government of Haiti for clearance to export meats to the United States and it was stated that only one packing plant would be involved. The heads of the Government of Haiti were informed that the regulations in the United States were such that foreign governments must have food inspection laws that were considered adequate if they were to certify in any way that local plants were meeting requirements.

Thereupon the Haitian Government instituted some regulations, and these were submitted to our Agriculture Department. However, they were not considered quite adequate to meet the standards, and suggestions were made for improvement. Thereupon the Haitian Government adopted regulations patterned after our own and these were approved.

This meant that the Government there could then certify that each shipment of meat from that country met the standards established. Shipments arriving in the United States were each accompanied by such a certificate and on the basis of this the meat was stamped with the seal of the U.S. Inspection Service.

However, the United States retains the right in all cases to make an occasional check on foreign plants to see that the standards are being maintained.

Early in 1961 such an inspection revealed that the plant in Haiti was not up to the minimum requirements and exports to the United States were not allowed.

The Haitian Government then intervened and requested that another check of the plant be made, as certain improvements had been instituted and the meats were now of certifiable quality. The request was granted and in August of 1961 a second inspection was made and the plant was then cleared and certified as conforming to Haitian regulations and U.S. standards.

On November 21, 1961, the Meat Inspection Division of the U.S. Department of Agriculture issued a permit for importation and subsequent to that time imports began coming in, in large amounts. Each shipment from Haiti has been accompanied by a certificate issued by the Haitian Government that all the requirements are being met and that the animals were slaughtered and the meat prepared according to the standards required.

Imports in fiscal 1962 amounted to 1,609,886 pounds and in 1963 (fiscal) they amounted to 2,703,968 pounds. They consisted mostly of beef, with some veal included.

The above material was obtained from Dr. Pals, head of the Meat Inspection Division. Dr. Edward A. Murphy is his assistant and is headman in the Procedures and Requirements Section. Dr. Murphy has been the one most involved in the Washington end of the case involving Haiti.

Beef—Fresh or frozen—Imports since 1959 from specified countries

[In dollars]

BONE IN

	1959	1960	1961	1962	January-August 1963
Honduras.....	23,823		7,247	79,551	33,341
Nicaragua.....	10,525	54,050	405,938	931,928	623,800
Costa Rica.....	322,589	30,057		5,308	120,523
Haiti.....				24,924	54,318

BONELESS

	1959	1960	1961	1962	January-August 1963
Honduras.....	458,374	1,268,267	2,246,912	3,259,224	1,823,843
Nicaragua.....	1,822,670	3,114,111	4,270,985	3,934,208	4,695,818
Costa Rica.....	2,862,494	5,219,950	2,670,764	2,631,208	3,244,645
Haiti.....			101,481	778,902	469,903

Senator SCOTT. Mr. Chairman, excuse me for interrupting—but before Senator Williams goes on to something else, will he tell us what is involved in the Department of Agriculture rulings? Do they turn on health or tariff or what? It might clarify for me what you say.

Senator WILLIAMS. Well, this memo explains it in greater detail, but it is primarily with the inspection that this beef must meet—coming from that country—that the plant should meet the specifications of a plant in the United States. While it is not in this memorandum, I understand part of this was to assure that the beef or meat barred from entering this country from Argentina would not be siphoned through this plant. In other words, we were insisting on proper inspection service in the plant in Haiti in order to make their products eligible to come into this country.

The timing of the applications all coincide somewhat with the arrangements which apparently were made between these companies and someone here for the disposition. Now, the suggestion has been made that this meat company in Puerto Rico may be financed substantially with American money. And I am referring to the article in the New York Times. I do not have any information in that connection, but they refer to the fact that the Murchisons in Texas may be involved

in the financing of this. In that connection, I have four checks here which have come from a company of which Baker was a partner, which show that there had been a relationship between Baker and Murchison. I submit them for what they are worth—although they have no connection, as I understand it, with this direct contract.

But they do show that there was a tie-in or some relationship between them. The Don Reynolds Associates Insurance Co., here in Washington, of which Baker is admittedly a partner, has four checks here, one dated May 4, 1959, check No. **XXXX** which is payable to the Hotel Fontainebleau, \$75.75.

Now, typed on this check is marked "April Statement," but there is a pencil notation on it, "Clint Murchison, Jr."

May 16, 1959, check No. **XXXX** Hotel Drake, \$235.79, and they have a pencil notation on this one, "Clint Murchison, Jr."

July 1, 1959, check **XXXX**, made payable to the Diners' Club, and written on the check is "Diners' Club, Clint Murchison, Jr., \$22.08."

July 14, 1960, there is another check made payable direct to Clint Murchison, Jr., for \$78, and it is endorsed by Mr. Murchison.

I submit those checks, which show there had heretofore been some relationship which may or may not mean anything so far as connection with this particular case is concerned.

(The checks referred to follow:)

WILLIAMS EXHIBIT 37

DON REYNOLDS ASSOCIATES, INC. 8485 FENTON ST. - SUITE 308 SILVER SPRING, MARYLAND GENERAL INSURANCE	SILVER SPRING, MD. May 4, 1959 No. XXXX							
	SUBURBAN TRUST COMPANY							
	SILVER SPRING, MD. XXXX							
	Pay TO THE ORDER OF Hotel Fontainebleau \$ 75.75							
Seventy Five Dollars ----- Seventy Five Cents ----- DOLLARS								
THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREWITH. ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL.								
<table border="1"> <tr> <td>April Statement</td> <td>XXXX</td> <td>XXXX</td> </tr> <tr> <td></td> <td>XXXX</td> <td>XXXX</td> </tr> </table>			April Statement	XXXX	XXXX		XXXX	XXXX
April Statement	XXXX	XXXX						
	XXXX	XXXX						
<i>Clint Murchison Jr</i> XXXX <i>Don Reynolds</i>								

FOR DEPOSIT ONLY
FONTAINEBLEAU HOTEL CORP.
FONTAINEBLEAU HOTEL
HOTEL FONTAINEBLEAU

3-9	3-9
7-27	7-27
XXXX	XXXX
XXXX	XXXX
3-6-6	3-6-6

1866 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

WILLIAMS EXHIBIT 38

DON REYNOLDS ASSOCIATES, INC.
8485 FENTON ST., SUITE 308
SILVER SPRING, MARYLAND
GENERAL INSURANCE

SILVER SPRING, MD. 5/16 1959 No. **XXXX**

SUBURBAN TRUST COMPANY
SILVER SPRING, MD. **XXXX**

PAY TO THE ORDER OF Hotel Drake \$235.74

Two Hundred Thirty Five and 74/100 DOLLARS

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREWITH, 5-17-1959
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL

SUBURBAN TRUST COMPANY
SILVER SPRING, MD. **XXXX**

DON REYNOLDS ASSOCIATES, INC.
Don Reynolds
Chas. Marchion **XXXX**

THE HANOVER BANK
FIFTH AVENUE AT NORTH STREET
The Drake
Zekendorf Hotels Corporation

PAY TO THE ORDER OF

ANY BANK, BANKER OR TRUST COMPANY
OR RECEIVED PAYMENT THROUGH
BALTIMORE CREDIT HOUSE
FEDERAL RESERVE BANK

XXXX

4-27 OF RICHMOND 7-27

WILLIAMS EXHIBIT 39

DON REYNOLDS ASSOCIATES, INC.
8485 FENTON ST., SUITE 308
SILVER SPRING, MARYLAND
GENERAL INSURANCE

SILVER SPRING, MD. July 1 1959 No. **XXXX**

SUBURBAN TRUST COMPANY
SILVER SPRING, MD. **XXXX**

PAY TO THE ORDER OF The Diners Club \$22.08

Twenty Two and 08/100 DOLLARS

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREWITH
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL

OFF NO. 21
ON NO. 21

DON REYNOLDS ASSOCIATES, INC.
Don Reynolds
Chas. Marchion **XXXX**

FOR DEPOSIT
IN
CHEMICAL CORN EXCHANGE BANK
THE DINERS' CLUB INC.

ANY BANK, BANKER OR TRUST COMPANY
OR RECEIVED PAYMENT THROUGH
BALTIMORE CREDIT HOUSE
FEDERAL RESERVE BANK

XXXX

JUL 9 1959

Bobby Baker, room F-80, Senate Office Building, was at this time listed as certificate No. 583, with 512 shares of MGIC. I submitted the other day a record that would show about 16,000 shares that he owned.

But the importance of this report is that there are four names listed here. I do not have the identification of all of them, but they were—four or five names—using the address, room F-80, on their stock ownership. This was the office of Bobby Baker at that time.

There is Maywood and Edith P. Boggs, room F-80, Senate Office Building, and lists their holding certificate No. 356, 128 shares of MGIC, and certificate No. 326, 32 shares of the GIAI.

There is a J. H. Lightlie, in room F-80, Washington, D.C., and there is an Alfred S. Novak, room F-80, Senate Office Building; Gertrude C. Novak, room F-80, Senate Office Building; James W. Wilson, room F-80; John and Barbara Byrnes, 1213 25th Street; David Anderson, 614 North Greenwich Street, Falls Church, Va.; and William K. Divers, 3142 Patterson Street, Washington, D.C., all in and around Washington.

I submit those for what they are worth.

(The list referred to follows:)

WILLIAMS EXHIBIT 41

Washington area

	MGIC		GIAI	
	Certificates	Shares	Certificates	Shares
Robert G. Baker, room F-80, Senate Office Building.....	583	512	555	128
Maywood and Edith P. Boggs, room F-80, Senate Office Building.....	356	128	326	32
J. E. Lightlie, room F-80, Washington, D.C.....	357	128	327	32
Alfred S. Novak, room F-80, Senate Office Building.....	354	224	324	56
Gertrude C. Novak, room F-80, Senate Office Building.....	355	96	375	24
James W. Wilson, room F-80, Senate Office Building.....	358	128	328	32
John W. and Barbara Byrnes, 1213 25th Street, Arlington, Va.....	803	80	771	20
David Anderson, 614 North Greenwich Street, Falls Church, Va.....	477	40	448	10
William K. Divers, 3142 Patterson Street, Washington, D.C....	528	200	490	50

Senator WILLIAMS. Also, I have a letter here which is not an exact copy of what is in the SEC files, but it is close thereto. This letter was taken down by shorthand from the original letter, and, therefore, there could be some error. I want to submit it on that basis.

The letter is dated June 21, 1961. It is on the stationery of Arnold, Fortas & Porter, 1229 19th Street NW., Washington, D.C., and addressed to the Securities and Exchange Commission in Washington.

GENTLEMEN: With reference to MGIC registration No. 2-17187.

The interesting part of this is the first paragraph.

In attached schedule entitled "Item 1.a." there appears names of some persons who are identified only as "public officials."

This letter does identify certain public officials at the State level in the State of Wisconsin. These were identified as owning stock in this company. I do not have all this information, but I am advised that this list should be checked with the master list to which it refers—spe-

cifically to the 30,000-some-odd shares, the bulk of which may have gone to public officials when distributed.

Of course, the manner in which it was distributed and the price thereon and its relationship to market would be important for the observation of the committee.

I submit these records which I have.

(The document referred to follows:)

WILLIAMS EXHIBIT 42

ARNOLD, FORTAS & PORTER,
Washington, D.C., June 21, 1961.

Re MGIC registration No. 2-17187.

SECURITIES EXCHANGE COMMISSION,
Washington, D.C.

GENTLEMEN: In attached schedule entitled "Item 1.a." there appears names of some persons who are identified only as "public officials."

I am informed by company officials that G. Bakke is the State highway commissioner of Wisconsin and that R. Winkowski is a savings and loan commissioner of the State of Wisconsin. Neither of these persons has any official jurisdiction over nor dealings with Mortgage Guaranty Insurance Corp.

Mr. E. Samp is the State securities commissioner of the State of Wisconsin. In connection with the pending issue it was necessary for the company to present some matters to Mr. Samp's department for action. Mr. Samp disqualified himself from consideration of these matters by reason of his stock ownership.

Very truly yours,

MILTON V. FREEMAN.

Senator WILLIAMS. Now, in connection with the Don Reynolds Associates, Inc., here in Washington, I have certain letters, photostats of certain letters from their files. I understand Mr. Reynolds will be testifying before the committee. I have heard a rumor that he is becoming somewhat fearful that his testimony may place him in jeopardy, and, therefore, he may be a reluctant witness rather than a willing witness. I hope that is not true. Nevertheless, I thought that since I had these I wanted to be sure that I turned them over to the committee. These are copies of some of the records from Mr. Reynolds' office.

First, I submit a letter dated September 13, 1960. This letter is written by the Hutchinson, Rivinus & Co. in Philadelphia. The letter is addressed to Mr. Don B. Reynolds, 8485 Fenton Street, Silver Spring, Md. I will submit the letter in its entirety. It is addressed to "Dear Mr. Reynolds," and marked "Reference McCloskey & Co., bond No. 4S-40225, the Aetna Casualty & Surety Co., contract for construction of Columbia Stadium, Washington, D.C.," and the letter goes on and refers to a premium of \$73,631.28, of which the commission will be \$10,031.56, leaving them owing this company a net of \$63,599.72. The letter is signed by Mr. Atwood H. Bent.

Attached to this letter for submission is a copy of a check drawn on the Don Reynolds Associates, Inc., dated November 4, 1960, addressed to Hutchinson, Rivinus & Co., for \$63,599.72, which is in payment thereof of this commission. And I submit both of those for the record.

This letter is dated September 13, 1960.

Senator WILLIAMS. In Mr. Reynolds' files, also, are two other checks which I refer to at this time, one dated January 4, 1961, check **XXXX**. This check is payable to William N. McLeod, Jr., \$1,000, and signed by the Don Reynolds Insurance Co., Mr. Don Reynolds, Jr.

Then on July 24, 1961, we have check No. **XXXX** payable to the same William N. McLeod, Jr., for \$500, and a notation on this check reads that it is "Legal, 3d quarter."

The Congressional Directory in 1961 lists a William N. McLeod, Jr., as the clerk of the House Committee on the District of Columbia. I understand that at one point Mr. Reynolds has indicated that this may have been a rebate on the commission to which the letter refers, but that can be developed in his testimony when he comes before the committee.

These are the checks, and they are endorsed by the gentleman.
(The checks referred to follow:)

WILLIAMS EXHIBIT 45

DON REYNOLDS ASSOCIATES, INC.
 8485 FENTON ST. - SUITE 308
 SILVER SPRING, MARYLAND
 GENERAL INSURANCE

14

No. **XXXX**
XXXX

SILVER SPRING, MD. January 4th 1961
SUBURBAN TRUST COMPANY
 SILVER SPRING, MD.
PAID

William N. McLeod, Jr.
 ORDER OF \$ 1000.00

*****ONE THOUSAND AND NO/100*****
 JAN 24 1961

DOLLARS

SUBURBAN TRUS
XXXX
 PARTIAL
XXXX

COMPANY DON REYNOLDS ASSOCIATES, INC.
Don Reynolds

RECEIVED PAYMENT THRU THE
 WASHINGTON, D. C. CLEARING HOUSE
 ON FROM THE TREASURER U. S.
 PRIOR ENDORSEMENTS GUARANTEED
 NATIONAL BANK OF WASHINGTON
 WASHINGTON, D. C. 15-7

JAN 24 1961
XXXX

PAY TO THE ORDER OF
 ANY BANK, BANKER OR TRUST CO.
 PRIOR ENDORSEMENTS GUARANTEED
 NATIONAL BANK OF WASHINGTON
 WASHINGTON, D. C. 15-7

For Cash
of about \$500 and
#5 & 415 Mine
for Alfred Leach
Colman W. Leach

WILLIAMS EXHIBIT 46

DON REYNOLDS ASSOCIATES, INC.
SILVER SPRING, MARYLAND
GENERAL INSURANCE

SUBURBAN TRUST COMPANY
SILVER SPRING, MD.

No. **XXXX**
19 **61**
XXXX

PAY TO THE ORDER OF *Wm. G. Williams* **PAID** \$500.00 DOLLARS

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREWITH.
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL.

AUG 7 1961

DON REYNOLDS ASSOCIATES, Inc.

XXXX HYATTSVILLE **XXXX**

5-5615

Pay to Robert G. Baker
Legal & Salary
#5615
for Robert G. Baker

XXXX

THE NATIONAL ASSOCIATION OF BANKS
WASHINGTON, D. C.

THE NATIONAL ASSOCIATION OF BANKS
WASHINGTON, D. C.

Senator WILLIAMS. Also, Mr. Reynolds' files will show—and these are taken from the Don Reynolds Associates, Inc.—copies of checks taken from their accounts.

On March 19, 1960, check No. **XXXX** payable to Robert G. Baker, \$500, and this is marked "Legal and Salary."

Check No. **XXXX** April 15, 1960, Robert G. Baker, \$500, marked "Salary—Officer."

October 24, 1960, check **XXXX** Robert G. Baker, marked "Legal," \$150.10.

October 24, 1960, check **XXXX** payable to Bobby Baker, \$135, and this has a notation "Out of pocket, reimburse for expenses."

And check No. **XXXX** dated November 12, 1960, payable to Robert G. Baker, \$1,000, and a notation on this is "Representation allowance for the U.S. Savings League Convention, and others."

Check No. **XXXX** December 15, 1960, Robert G. Baker, \$1,000, and a notation on this check states, "Loan Officer," and this check is endorsed on the back payable to Scott I. Peek.

I submit those checks for the record.

The CHAIRMAN. Who was the maker of those checks, Senator?

Senator WILLIAMS. The maker of these checks is Don Reynolds Associates, Inc., here in Washington, of which Baker was a partner.

(The checks referred to follow:)

237c

SILVER SPRING, MD. March 19, 19 60 No. XXXX

SUBURBAN TRUST COMPANY
SILVER SPRING, MD. XXXX

PAID

PAY TO THE ORDER OF Robert G. Baker \$ 500.00

Five Hundred Dollars MAY 2 1960 Cents DOLLARS

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREWITH.
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL

Legal & Salary

SUBURBAN TRUST COMPANY
SILVER SPRING
MARYLAND

REYNOLDS ASSOCIATES, INC.

XXXX XXXX XXXX

FOR DEPOSIT ONLY
DON REYNOLDS ASSOC., INC.

MAY 2 1960

Pay to order of
Don Reynolds Assoc.
Robert G. Baker

[illegible]

1874 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

WILLIAMS EXHIBIT 49

237c

SILVER SPRING, MD. 19 No. XXXX

SUBURBAN TRUST COMPANY

SILVER SPRING, MD.

PAID

PAY TO THE ORDER OF Robert *16* \$150⁰⁰

One Hundred Fifty 00/100 DOLLARS

OCT 24 1960

SUBURBAN TRUST COMPANY, INC. DON REYNOLDS ASSOCIATES, INC.

HYATTSVILLE MARYLAND

XXXX XXXX

XXXX

James L. Haupt, Jr.

DON REYNOLDS ASSOCIATES, INC.
8485 FENTON ST. - SUITE 308
SILVER SPRING, MARYLAND
GENERAL INSURANCE

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREIN.
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL.

Robert J. Baker

FOR DEPOSIT ONLY
DON REYNOLDS ASSOC., INC.
8485 FENTON STREET
SILVER SPRING, MARYLAND

OCT 24 1960

WILLIAMS EXHIBIT 50

SILVER SPRING, MD. *Oct 24 60* 19 No. XXXX

SUBURBAN TRUST COMPANY

SILVER SPRING, MD.

PAID

PAY TO THE ORDER OF *Bobby Baker* \$135⁰⁰

One Hundred Thirty Five 00/100 DOLLARS

OCT 25 1960

SUBURBAN TRUST COMPANY, INC. DON REYNOLDS ASSOCIATES, INC.

HYATTSVILLE MARYLAND

XXXX XXXX

XXXX

B. Reynolds

DON REYNOLDS ASSOCIATES, INC.
8485 FENTON ST. - SUITE 308
SILVER SPRING, MARYLAND
GENERAL INSURANCE

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREIN.
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL.

Bobby Baker

Mr. J. Reynolds

Remit. 4/23/57 135.00

8. 6143 # 15,585,828

OCT 25 1960

WILLIAMS EXHIBIT 51

17C. p

[illegible]

WILLIAMS EXHIBIT 52

19

DON REYNOLDS ASSOCIATES, INC.
8480 Fernside Drive, Suite 308
Shirley, Maryland 21158
GENERAL INSURANCE

SILVER SPRING, MD. Dec. 15 19 60 No. XXXX

SUBURBAN TRUST COMPANY
SILVER SPRING, MD. PAID XXXX

PAY TO THE ORDER OF Robert J. Baker \$1,000

ONE Thousand 00/100 DEC 2 1960

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREIN.
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL.

Jaon Thier Associates, Inc. XXXX

SUBURBAN TRUST COMPANY
HYATTSVILLE REYNOLDS ASSOCIATES, INC.
MARYLAND XXXX

XXXX

Robert C. Baker
pay to the order
of Supt. I. Park.
Report to amount of
Sept. I. Park
Lillian B. Park

Senator WILLIAMS. In 1961 the company issued the following checks. These checks are marked to the Equitable Life Assurance Society.

January 16, 1961, check No. [REDACTED] payable to the Equitable Life Assurance Society, \$103.05, and a notation on this is marked, "Paid premium, life, R. G. Baker, 15,585,828."

On March 4, 1961, check No. [REDACTED] Robert G. Baker, \$1,500, marked "Salary, 1960."

On August 11, 1961, check No. [REDACTED] check payable to the American Express Co., \$209.94, and this is marked "Entertainment Clients, R. G. Baker."

I will submit copies of those checks for the record.

In 1962, I find these checks in the accounts of this same insurance company here in Washington, Don Reynolds Co.

February 21, 1962, check No. [REDACTED] Hartford Fire Insurance Co., Group, \$150.75, with the notation on this check, "No. [REDACTED]—Novak, Baker Motel."

On March 7, 1962, check No. [REDACTED] payable to E.L.A.S., \$525.61, and the notation here marked "Loan." However, at the bottom there is a notation "Scott Peek."

I don't know just what this other word is, but it looks like it says conversion, I am not sure about that—but here is the check number and the amounts.

May 4, 1962, check No. [REDACTED] payable E.L.A.S., \$243.60, and this has the notation on it at the bottom, [REDACTED]—Baker \$65.75. [REDACTED] Dixon \$59.84, [REDACTED] G. C. Nov., \$62.63. [REDACTED] D. J. Nov., \$55.38." And these items total \$243.60. But this check is from Don B. Reynolds personal account rather than the company.

On June 20, 1962, check No. [REDACTED] payable to E.L.A.S., \$628.11, and this is marked "Loan balance, annual premium, Baker and Novak."

Now, in 1963 you will find check No. [REDACTED] dated January 10, 1963, payable to ELAS, \$280.77, and the notation here, "Loan, B. Baker, policy [REDACTED]"

All of these checks, Mr. Chairman, are here—that is, copies of all these checks, both the front and back, show the endorsement thereon.

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1877

(The checks referred to follow:)

WILLIAMS EXHIBIT 53

15

SILVER SPRING, MD. Jan 16 1961 No. **XXXX**

SUBURBAN TRUST COMPANY
SILVER SPRING, MD. **XXXX**

The Equitable Life Assurance Society of the United States

PAY TO THE ORDER OF One Hundred and two and 00/100 \$102.00 DOLLARS

Robert C. Baker

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREWITH.
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL.

JAN 18 1961

SUBURBAN TRUST COMPANY
WILLIAMSVILLE, OHIO **XXXX**

DON REYNOLDS ASSOCIATES, INC.

Don Reynolds

DON REYNOLDS ASSOCIATES, INC.
8485 FENTON ST. - SUITE 308
SILVER SPRING, MARYLAND
GENERAL INSURANCE

Pay to the order of
AMERICAN SECURITY & TRUST CO.
OF WASHINGTON, D. C.
EQUITABLE LIFE ASSURANCE SOCIETY OF THE U.S.
CASHIER'S ACCOUNT
J. E. WOODS, Cashier

XXXX

WASHINGTON, D. C. CLEARING HOUSE
AMERICAN SECURITY & TRUST CO.
ON BEHALF OF THE
EQUITABLE LIFE ASSURANCE SOCIETY OF THE U.S.
JAN 18 1961

WILLIAMS EXHIBIT 54

16

SILVER SPRING, MD. 3/4 1961 No. **XXXX**

SUBURBAN TRUST COMPANY
SILVER SPRING, MD. **XXXX**

PAY TO THE ORDER OF Robert C. Baker \$1500.00 DOLLARS

Forty and 00/100

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREWITH.
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL.

JAN 18 1961

SUBURBAN TRUST COMPANY
WILLIAMSVILLE, OHIO **XXXX**

DON REYNOLDS ASSOCIATES, INC.

Don Reynolds

DON REYNOLDS ASSOCIATES, INC.
8485 FENTON ST. - SUITE 308
SILVER SPRING, MARYLAND
GENERAL INSURANCE

Robert C. Baker

WASHINGTON, D. C. CLEARING HOUSE
AMERICAN SECURITY & TRUST CO.
ON BEHALF OF THE
EQUITABLE LIFE ASSURANCE SOCIETY OF THE U.S.
JAN 18 1961

XXXX

WILLIAMS EXHIBIT 55

PAY TO THE ORDER OF

TRUST

XXXX XXXX

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05 CO.

WILLIAMS EXHIBIT 56

FOR DEPOSIT
THE CONNECTICUT BANK
& TRUST COMPANY
HARTFORD, CONN.
HARTFORD FIRE INSURANCE CO. GROUP
HARTFORD, CONN.
11/15/52

TO: HARTFORD FIRE INSURANCE CO. GROUP
FROM: HARTFORD FIRE INSURANCE CO. GROUP
SUBJECT: HARTFORD FIRE INSURANCE CO. GROUP
REMARKS: HARTFORD FIRE INSURANCE CO. GROUP

XXXX

DATE: 11/15/52
BY: [Signature]
TITLE: [Signature]
HARTFORD FIRE INSURANCE CO. GROUP
HARTFORD, CONN.

WILLIAMS EXHIBIT 57

DON REYNOLDS ASSOCIATES, INC.
SILVER SPRING, MARYLAND
GENERAL INSURANCE

SUBURBAN TRUST COMPANY
SILVER SPRING, MD.

No. **XXXX** 1962 **XXXX**

PAY TO THE ORDER OF *E. H. AS* \$525.00

Five Hundred Twenty Five and 61/100 DOLLARS

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREWITH
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL MAR 12 1962

Don Reynolds DON REYNOLDS ASSOCIATES, Inc. PRES. & TREAS.

XXXX **XXXX** **XXXX**

Pay to the order of
AMERICAN SECURITY & TRUST CO.
OF WASHINGTON, D. C.
EQUITABLE LIFE ASSURANCE SOCIETY OF THE U.S.
CASHIER'S ACCOUNT
J. F. WOODS, Cashier

AMERICAN SECURITY & TRUST CO.
WASHINGTON, D.C. 20004
BANK OF AMERICA & TRUST CO.
WASHINGTON, D.C. 20004
BANK OF AMERICA & TRUST CO.
WASHINGTON, D.C. 20004

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WILLIAMS EXHIBIT 58

DON B. REYNOLDS
GERALDINE M. REYNOLDS
13122 VENETIAN ROAD
ROCKING R. RANCH
GARRETT COUNTY, AND SILVER SPRING, MD.

No. **XXXX** 1962 **XXXX**

PAY TO THE ORDER OF *E. H. AS* \$243.00

Two Hundred Forty Three and 61/100 DOLLARS

SUBURBAN TRUST COMPANY
SILVER SPRING, MARYLAND

XXXX **XXXX** **XXXX** **XXXX** **XXXX** **XXXX**

Don Reynolds

Pay to the order of
AMERICAN SECURITY & TRUST CO.
OF WASHINGTON, D. C.
EQUITABLE LIFE ASSURANCE SOCIETY OF THE U.S.
CASHIER'S ACCOUNT
J. F. WOODS, Cashier

AMERICAN SECURITY & TRUST CO.
WASHINGTON, D.C. 20004
BANK OF AMERICA & TRUST CO.
WASHINGTON, D.C. 20004
BANK OF AMERICA & TRUST CO.
WASHINGTON, D.C. 20004

XXXX

WILLIAMS EXHIBIT 59

Pay to the order of
AMERICAN SECURITY & TRUST CO.
 OF WASHINGTON, D. C.
 EQUIABLE LIFE ASSURANCE SOCIETY OF THE U.S.
 CASHIER'S ACCOUNT
J. F. WOODS, Cashier

WILLIAMS EXHIBIT 60

SUBURBAN TRUST COMPANY
SILVER SPRING, MD.

No. XXXX 3461

January 10, 19 63 XXXX

PAY TO THE ORDER OF E L A S \$ 280.77

Two Hundred & Eighty Dollars JAN 14 1963 77/100 DOLLARS

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREWITH
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT

[Signature] B. Baker Hyattsville, MARYLAND XXXX XXXX

XXX

[Signature] PRES. BOKY-THORP

Pay to the order of
AMERICAN SECURITY & TRUST CO.
OF WASHINGTON, D. C.
EQUILIBRIUM LIFE ASSURANCE SOCIETY OF THE U.S.
CASHIER'S ACCOUNT
J. F. WOODS, Cashier

WASHINGTON, D. C. 20004
JAN 14 1963
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Senator WILLIAMS. This company's files also show the following purchases which Mr. Reynolds can more accurately identify as to exactly what these checks were for. I am going to present them to the committee as I have them, and as I understand them. But I want it understood I am presenting them that way.

May 20, 1959, check No. XXXX is payable to the Magnavox Co. for \$588, and marked on this check is "For invoice \$470," and then \$130, totaling \$600, less 2 percent, would be \$588. Now, these invoices can be obtained.

I understand that Mr. Reynolds—he can speak for himself—I understand that he will identify this as the payment for a stereo that was delivered to Robert Baker. I submit the check, which is payable to the company which manufactures these products.

(The check referred to follows:)

PAY TO THE ORDER OF

SUBURBAN TRUST COMPANY

SILVER SPRING, MD.

DON REYNOLDS ASSOCIATES, INC.

\$588⁰⁰

FIVE HUNDRED EIGHTY EIGHT - 00/100 DOLLARS

XXXX XXXX XXXX XXXX

7-27 OF RICHMOND 7-27

The second check, which was attached thereto, is dated July 20, 1959, check No. 1039, and this is payable to Frank P. Mulgannon, \$42.50. And this check is marked "Installation for L. B. Johnson."

(The checks referred to follow:)

DON REYNOLDS ASSOCIATES, INC. 8485 FENTON ST., SUITE 308 CHICAGO, ILL. 60617 GENERAL INSURANCE	SILVER SPRING, MD.		July 6 1959	No.	XXXX																																																												
	SUBURBAN TRUST COMPANY SILVER SPRING, MD.					XXXX																																																											
PAY TO THE ORDER OF <u>The Magna-Mex Co.</u> <u>Five Hundred Forty Two and 25/100</u> \$542.25 DOLLARS																																																																	
THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREIN. ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL.																																																																	
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DON REYNOLDS ASSOCIATES, INC. <u>Don B. Reynolds</u>																																																																	
XXXX																																																																	

PAY TO THE ORDER OF
FORT WAYNE NATIONAL BANK
 1388
 100 N. W. 11th, INDIANA
 FOR DEPOSIT ONLY
 The Magnavox Company

1/27/72
 2
 RECEIVED THROUGH FEDERAL RESERVE BANK OF
 CLEVELAND
 PAY TO THE ORDER OF
 BANK, BANKER OR TRUST CO.
 XXXXX
 PRIOR ENDORSEMENT GUARANTEED BY
 FORT WAYNE NATIONAL BANK
 1/27/72
 10

DON REYNOLDS ASSOCIATES, INC.
8485 FORT LEE ROAD
FORT LEE, SPRING, MARYLAND
GENERAL INSURANCE

SILVER SPRING, MD. 7/20 1959 No. XXXX

SUBURBAN TRUST COMPANY
SILVER SPRING, MD. XXXX

PAY TO THE ORDER OF Frank J. Mulgannon \$ 42.50

Forty two and 50/100 DOLLARS

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN HEREON JUL 29 1959
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT IN FULL

DON REYNOLDS ASSOCIATES, INC.

Don Reynolds

XXXX XXXX XXXX

FOR DEPOSIT ONLY
FRANK P. MULGANNON

65-309 PAY TO THE ORDER OF
ANY BANK OR BANKER
PRIOR ENDORSEMENTS GUARANTEED
THE BANK OF SILVER SPRING
SILVER SPRING, MD.

65-309 RECEIVED PAYMENT THROUGH THE
WASHINGTON, D. C. CLEARING HOUSE
OF FROM THE TREASURER OF THE U.S.
PRIOR ENDORSEMENTS GUARANTEED
153-3 NATIONAL BANK

Senator WILLIAMS. Now, following this, I furnish two invoices; one of them is numbered [REDACTED] which is the same invoice referred to on the preceding check, which I referred to as "check No. [REDACTED]" for \$542.25. This invoice—this is a copy of the invoice, but it is copied from the original—refers to the same number, [REDACTED], and the invoice is \$82.65.

I will submit the invoice. It is marked, "The Magnavox Co., Fort Wayne, Ind., billed to Mr. Don Reynolds, 8484 Fenton Street, Silver Spring, Md., shipped to Senator Lyndon B. Johnson, 4129 30th Place, Washington, D.C."

And the second one is an invoice, likewise, Magnavox Co., Fort Wayne, Ind., dated June 26, 1959, marked, "Billed to Mr. Don Reynolds, 8484 Fenton Street, Silver Spring, Md., shipped to Senator Lyndon Johnson, 4129 30th Place NW., Washington, D.C." This invoice is \$382.50.

I submit both these invoices.

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1885

(The invoices referred to follow:)

WILLIAMS EXHIBIT 64

EM 40-2009-1

DUPLICATE INVOICE.

The Magnavox Company

Fort Wayne, Indiana

U. S. A.

BILL MR DON REYNOLDS
848A FENTON ST
SILVER SPRING MD

SHIP TO SEN LYNDON B JOHNSON
4921 30TH PLACE N W
WASHINGTON D C

INVOICE
NUMBER PAGE

51330 1
6-05-59

SHIPPED VIA		DATE SHIPPED		TERMS		T. O.	CUST. ORD. NO.	TERR.	CUST. CODE	MAX ORD. NO.
				NET		66-049			710 6666-72	4189
LINE ITEM	REL. LOC.	QUANTITY	MODEL	FINISH	DESCRIPTION NAME	PACK. LIST NUMBER	UNIT PRICE	EXTENSION		
2	2G	1	S 44	CHER		6/05	753	82.65	82.65	
		1						82.65		

Seller represents that with respect to the production of the articles and/or the performance of the services covered by this invoice, it has fully complied with Section 12(a) of the Fair Labor Standards Act of 1938, as amended.

The seller warrants that the prices to the Defense Production Act of 1950,

charged herein are not in excess of the maximum ceiling prices established under or any other applicable law, order or regulation.

applicable regulations issued pursuant

(The note and check referred to follow:)

WILLIAMS EXHIBIT 66



DON REYNOLDS ASSOCIATES, INC.

A Complete Insurance Service

GENERAL INSURANCE - BONDS

UNITED STATES FIDELITY AND GUARANTY COMPANY

8485 Fenton Street

Telephone: JUniper 5-0088

SILVER SPRING, MARYLAND

Washington Office - EXecutive 3-8145

October 15, 1960

I, Robert G. Baker, promise to pay to the order of
Don. B. Reynolds, \$4,000.00, four-thousand dollars,
6(six) months from this said date, October 15, 1960,
plus 6% interest.

W. C. Howard

Witness:

Robert G. Baker

Signed

1888 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

WILLIAMS EXHIBIT 67

Don B. REYNOLDS
 GERALDINE M. REYNOLDS
 13122 VENETIAN
 ROCKING R. RANCH, GARRETT COUNTY AND
 SILVER SPRING, MARYLAND

2448 XXXX

NOV 15 1960 XXXX

Pay TO THE ORDER OF *Robert G. Baker* \$4000

NOV 16 1960

FOUR THOUSAND DOLLARS

SUBURBAN TRUST COMPANY
 SILVER SPRING, MARYLAND

XXXX

XXXX

XXXX

Robert G. Baker
Pay to the order
of Alfred S. Work

THE PHILADELPHIA NATIONAL BANK
 THE BANK OF SILVER SPRING
 THE PHILADELPHIA NATIONAL BANK

XXXX

XXXX

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XXXX

Senator SCOTT. Is that a company or personal check?

Senator WILLIAMS. This is a personal check, drawn on Don B. Reynolds and Geraldine M. Reynolds account in Rocking R. Ranch, Garrett County, Silver Spring, Md.

Senator PELL. Is that 6 percent per annum, or 6 percent for 6 months?

Senator WILLIAMS. It doesn't say. There is a note here dated December 15, 1960, \$3,650, signed by Robert G. Baker, to Don B. Reynolds Associates, marked 6 percent per annum, and this is due December 15, 1963.

And there is a second note here, December 15, 1960, for \$5,000, signed by Robert G. Baker, to Don B. Reynolds Associates—although it is marked across the bottom of this one, "Secured by new note plus interest, dated March 18, 1961."

I have here a copy of the new note dated March 15, 1961, \$6,140, which I submit. This is signed by Robert Baker.

I have no knowledge whether or not these notes are paid. I have heard a rumor that they may not actually be obligations, but that is something on which the witnesses can speak for themselves. I am passing this on to your committee.

FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES 1889

(The documents referred to follow:)

WILLIAMS EXHIBIT 68

	\$3,650.10	Dec. 15	2456
	3 years	AFTER DATE	I
	PROMISE TO PAY		
	TO THE ORDER OF Don B. Reynolds and Associates		
	Three thousand Six hundred fifty and 10/100 DOLLARS		
	5% per cent per annum		
	PAYABLE AT S. C. CO. Spring and		
	VALUE RECEIVED		
Nº	DUE Dec. 15, 1963 Robert G. Baker		

WILLIAMS EXHIBIT 69

December 15, 1960

90 days from this said date of December 15, 1960, I Robert G. Baker
promise to pay Don Reynolds and Associates Inc. \$5000.00 plus
6% interest for value received.

Julius K. Kuehling
Witness

Robert G. Baker
Robert G. Baker

Secured by new note plus interest
Dated March 15, 1961
W. H. Haught
Secy Treas

1890 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

WILLIAMS EXHIBIT 70

245a.

\$ 6,140.⁰⁰ March 15 1961

270 Days AFTER DATE I PROMISE TO PAY

TO THE ORDER OF Don Reynolds

Six thousand one hundred forty and ⁰⁰/₁₀₀ DOLLARS

PAYABLE AT Seaboard Trust Co, Hattiesville, Md.

VALUE RECEIVED plus 6% interest

Nº _____ DUE Dec. 15, 1961 Robert G. Baker



Senator WILLIAMS. There is also a note here dated March 4, 1961, \$1,500, for Robert G. Baker, payable to the Don Reynolds Associates.

Then there is a note here, Robert G. Baker, for \$4,764.06, dated October 15, 1963, and this is 2 weeks after this investigation started, likewise payable to Don Reynolds Associates. That one is \$4,764.06.

(The notes referred to follow:)

WILLIAMS EXHIBIT 71

March 4, 1961 _____, 1961

(ADDRESS OF BANK AND DATE)

3 years from date pay to

(NAME OF BANK)

PAY TO THE ORDER OF Don Reynolds and Associates \$ 1,500.⁰⁰/₁₀₀

One thousand five hundred and ⁰⁰/₁₀₀ DOLLARS

at 6% interest per annum

Robert G. Baker

U.S. GOVERNMENT PRINTING OFFICE 16-2451

WILLIAMS EXHIBIT 72

\$ 4,764.06 Oct. 15 1963

3 years AFTER DATE I PROMISE TO PAY

TO THE ORDER OF Don B. Reynolds and Associates

Four thousand Seven Hundred fifty four and ⁰⁰/₁₀₀ DOLLARS

6% per annum

PAYABLE AT S. Loan Springs, Md.

VALUE RECEIVED _____

Nº _____ DUE _____ Robert G. Baker



Senator WILLIAMS. I copied these from records left in my possession. I had them photostated; I wanted to turn them over to the committee, because I understood there was a possibility I was going to be asked to return them. Whether that is true or not, I don't know. That is the reason I asked the chairman for the opportunity of coming here this morning and presenting these. I accepted them at the time with the understanding that they were going to be copied and that they would be made available to your committee. I thought that rather than take the chance that I be requested—and I am not sure I would have been requested—but rather than take the chance I would be requested to return them, I thought I would get them out of my possession and turn them over here.

I have here another report which may be of interest—it has no exact significance on any of this other information that I have presented. It is a photostatic copy of a net worth statement, entitled "Robert G. Baker, Washington, Statement of Condition, February 1, 1963."

I will submit this to the record for your examination.
(The document referred to follows:)

WILLIAMS EXHIBIT 73

ROBERT G. BAKER, WASHINGTON, D.C.

Statement of condition, Feb. 1, 1963

ASSETS		Market value of assets, Feb. 1, 1963
Current assets:		
Cash on hand and in banks	-----	\$51,000.00
Accounts receivable	-----	58,000.00
Notes receivable	-----	287,000.00
Cash surrender value of life insurance	-----	2,000.00
U.S. Government retirement reserve	-----	10,000.00
Stocks (schedule 1)	-----	1,582,630.00
Total current assets	-----	2,158,630.00
Fixed assets:		
Real estate owned (schedule 2)	-----	456,666.00
Furniture and equipment	-----	5,000.00
Total assets	-----	2,620,296.00
LIABILITIES AND NET WORTH		
Current liabilities:		
Accounts payable	-----	43,000.00
Mortgages payable (installments due within 1 year, schedule 2)	-----	31,800.00
Notes payable, banks secured by stocks (schedule 3)	-----	290,000.00
Total current liabilities	-----	364,800.00
Fixed liabilities:		
Mortgages payable (schedule 2)	-----	120,500.00
Less installment due within 1 year	-----	31,890.00
Total fixed liabilities	-----	88,610.00
Total liabilities	-----	453,410.00
Net worth	-----	2,166,886.00
Total liabilities and net worth	-----	2,620,296.00

1892 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

Real estate owned and mortgages payable Feb. 1, 1963

Description	Title in name of—	Market value Feb. 1, 1963		Mortgages payable	
		Shares owned (percent)	Amount	Amount	Annual payment
Residence: 3324 Northampton St. NW., Washington, D.C.	Bobby G. and Dorothy C. Baker.	100	\$35,000	\$13,000	\$1,530
1 house and 2 apartments: Blue Ridge Dr., Pickens, S.C.	Robert G. Baker and D. A. Holder.	50	10,000	2,500	360
Entire block ocean front: 47th St., to 48th St., North Ocean City, Md.	Robert G. Baker, Gertrude and Don Novak.	33	41,666	15,000	5,000
40 acres: Colesville Rd., Silver Spring Extended, Md.	Don Novak and Robert G. Baker.	50	120,000	15,000	10,000
42-unit motel: Howard Johnson, Charlotte, N.C.	Mecklenburg Enterprises...	50	250,000	75,000	15,000
Total market value, Feb. 1, 1963.			456,666		
Total mortgages payable (Robert Baker's share), Feb. 1, 1963.				120,500	
Total annual payment on mortgages.					31,890

Stocks owned Feb. 1, 1963

Description	Shares owned	Market value Feb. 1, 1963	Pledged as collateral
Mortgage Guaranty Insurance Co.....	15,130	\$453,900	8,835 shares with Fidelity National Bank & Trust Co., Oklahoma City, Okla.
Serv-U Corp. (5 times earnings).....	2,850	1,000,000	5,995 shares with First National Bank of Dallas, Dallas, Tex.
Winn Dixie.....	100	2,800	2,850 shares with Fidelity National Bank & Trust Co., Oklahoma City, Okla.
District of Columbia National Bank....	1,500	45,000	100 shares with Suburban Trust Co., Silver Spring, Md.
Carolina Pipeline Co.....	2,500	20,000	1,500 shares with American Security & Trust Co., Washington, D.C.
First Virginia Corp.....	3,000	15,000	2,500 shares with South Carolina National Bank, Greenville, S.C.
Blue Ridge Development Corp.....	50	15,000	3,000 shares with American Security & Trust Co., Washington, D.C.
Greenville, S.C., Memorial Gardens....	180	10,000	180 shares with Pickens Bank, Pickens, S.C.
Waikiki Savings & Loan Association....	2,500	8,000	
Don Reynolds Insurance Co.....	10	5,000	
Mansfield Industries.....	200	1,600	
Truck Insurance Exchange.....	50	2,400	
Pickens Bank.....	48	1,680	48 shares with Suburban Trust Co., Silver Spring, Md.
National Bank of Maryland.....	73	2,250	75 shares with Suburban Trust Co.
Total market value of stock Feb. 1, 1963.		1,582,630	

Senator WILLIAMS. This net worth statement as of that date would give Bobby Baker a net worth of \$2,166,886. That is February 1, 1963. However, I will say this. As I examined this—and I only pass this on as one man's judgment—it would appear that this net worth is based largely on inflated valuations that were put upon various enterprises. A man would have a right to put his own valuation—I am not questioning that—if somebody wished to accept such, but

I would question whether an actual analysis will show anywhere near that net worth.

This does show—and the reason I submit it to you—this was the first paper which I had personally seen which would indicate that Robert Baker was actually an owner of stock in the Serv-U Corp. I have seen that denied in the press. This statement, if this is a true statement as prepared by Mr. Baker—and I might say the statement is not signed by Baker; it is all typewritten—it does list Serv-U Corp., five times earnings, 2,850 shares owned, and market value of February 1, 1963, \$1 million.

It lists this 2,850 shares as being pledged with the Fidelity Bank & Trust Co., Oklahoma City, Okla. It is something that could very easily establish the accuracy of whether or not Bobby Baker was actually a stockholder in the Serv-U Corp., because that point has been denied—I have seen public denials of it. This is the nearest that I had of any confirmation, and I thought it may make it easier for the committee to establish.

The CHAIRMAN. Does the Senator know whether that statement was prepared to secure a loan, or for what reason it was made?

Senator WILLIAMS. I cannot say that I do know, and I want to present it to the committee with the understanding that I do not know; but I was advised that a copy of this statement will be found possibly with the FHA but more than likely with the bank in Baltimore. I was told this is the statement that was submitted to the bank in Baltimore. That is hearsay. I cannot vouch for that because it does not bear a signature. But I will submit it to you as it was presented to me. I will say this: I did get it from a rather reliable source who will be testifying before your committee and you will be working with them at some later time.

Now, gentlemen, I appreciate the opportunity of turning this information over to you. I submit it to you without conclusions, but merely as documents which came into my possession since I last was before the committee. I thought that while the people were willing to discuss the case I might just as well discuss it, and when they showed me the records, I suggested that I would rather see the records. When they showed me the records I persuaded them at that time to allow me to photostat them with the understanding that if they were not turned over to the committee prior to a request for their return I would return them. I have now turned them over to you prior to the receipt of any such request. As far as I know I would not have received such a request, but I did not want to take any chances.

The CHAIRMAN. Did these come to you from Mr. Reynolds?

Senator WILLIAMS. Some of them did; yes. Some of them came from Mr. Reynolds, and some of these reports did not.

The CHAIRMAN. Thank you very much, Senator. We appreciate that testimony and the documents you are leaving with us. I want to ask you one other question, and then the other members may have the privilege of asking you questions. How much of this information that you delivered to us today does the press know?

Senator WILLIAMS. Mr. Chairman, if I had come before you the day before yesterday, I would have told you the press knew nothing about the Puerto Rican operation—the meatpacking company. But articles appeared in the New York Times yesterday. So I cannot answer it, although I will say this: The New York Times article is referring to

payments which were made between the 1961 and 1962 period. I might say I do not have any information as to those payments, except hearsay, but I understand they were being paid through this company in Puerto Rico, the Borinquen, as brokers. I have been advised that Baker and others were getting payments from that company, and the New York Times so indicated.

The information which I have did definitely tie in that they were collecting payments from the outfit in Chicago. I received this information. I ran into it through the Chicago outfit, and I called them. Mr. Kentor said he was going to be in Washington in the next couple days and said he would bring all his records down.

When he came he brought the photostatic copies of all of this which I gave the committee today. He said he had done nothing wrong; that it is normal to pay brokerage as far as he was concerned, although he said that it is customary that a broker arranges the contracts and would be intervening on behalf of the company—but that was not his business. As far as he was concerned, he was interested only in getting the meat.

He left those copies and said that any additional information which he had and which the committee thought would be of any benefit to them would be readily available upon request. I didn't have to subpoena his records.

I asked him about the preceding arrangements. He said that the company did have preceding arrangements with some company in Puerto Rico, and he had understood that similar brokerages had been paid to them.

That may have been a cent a pound rather than a half cent, but that was only hearsay on his part. He was not presenting that to me as factual. He said he was passing that on only as hearsay.

But this did verify what I heard heretofore. I tried to contact the company in Puerto Rico but was unsuccessful. Of course, in Haiti they are now having a little difficulty in establishing contacts and getting anything done. Therefore, I cannot say how much the press knows because the New York Times did have some of it. I was told by the Chicago outfit that the Scripps-Howard people were likewise trying to get similar information, and they were trying to stay away from them.

The CHAIRMAN. What I really meant was, How much of this information have you turned over to the press?

Senator WILLIAMS. None.

The CHAIRMAN. In other words, you have not revealed anything?

Senator WILLIAMS. No, sir.

The CHAIRMAN. They are going to ask us that question.

Senator WILLIAMS. I am not turning this over to the press. Now, I will say this: I received some information from the press which later I substantiated. You know how those fellow get around. And so I cannot say that the press would not know what I have—but none of them know what I am presenting to you this morning in this room.

The CHAIRMAN. Up to now, you have given us all the information you have?

Senator WILLIAMS. Yes, sir.

The CHAIRMAN. Well, I certainly do appreciate it.

Senator WILLIAMS. As far as—of course, if anything else comes to me I shall be glad to cooperate with counsel or anyone else. I

could have turned this over to your investigators. Had I received a request to return these papers I would have had to return them to the man who gave them to me. He could have requested them prior to my giving them to the committee. That is the reason I wanted to turn them over to you promptly.

Now, I understand, also, from reading the paper that the press must be working on some of this Mortgage Guaranty Insurance, because we are reading that in the press, as you well know. I don't know how much information they have. A lot of what they are getting can be obtained from the SEC files, part of which is public and part of which is not public.

The CHAIRMAN. You have been mighty generous with your information. I presume, as you told me in the beginning, that you will keep on supplying us with anything which comes into your possession.

Senator WILLIAMS. I will make available to you any information which I get; yes, sir.

The CHAIRMAN. That is fine. We appreciate it.

Senator WILLIAMS. I appreciate the cooperation of the committee. Much of this information cannot be developed or cannot be followed through to determine what it really represents except by the committee. And much of this information—as you know, some of these statements and invoices which I have turned over would make spectacular headlines. Yet there may be an explanation for them; and, therefore, I wanted this turned over to you in an executive session. You can go behind the records and find out what the answers are and govern yourselves accordingly.

The ownership of this stock, and these names which I am submitting to the record are important. I am sure you will be getting the rest of the information from the SEC files and company files to see to what extent this alleged 30,000-some-odd shares may be distributed to public officials at the national level. But, as you get that, it would be my thought that these purchases should be examined in relationship to the market conditions prevailing as of the date they purchased it, along with the circumstances, as well as taking into consideration the assistance which the company may have felt could be rendered to them in return for the delivery of stock at this cheap price.

Thank you for the opportunity of being here.

The CHAIRMAN. Senator Cooper?

Senator COOPER. Commenting on the statement of net worth of Mr. Baker, I thought I heard you say what might be on file is with some bank in Baltimore for the FHA. Did you mean SBA?

Senator WILLIAMS. No. I have seen a copy of the financial statement submitted to the Small Business Administration.

Senator COOPER. I thought you said FHA. Did you mean FHA or SBA?

Senator WILLIAMS. No; the Federal Housing Administration.

Senator CLARK. There are two statements, as I understand—one with SBA.

Senator WILLIAMS. There is a statement with the SBA which did not show a net worth of anything like this. I cannot say this was submitted to the FHA; I was advised that my informant thought it had been but that it was more likely that it would be found to have been submitted to the bank in Baltimore. Of course, the bank in

Baltimore could take into consideration as to whether or not this is inflated.

The reason I suggested that it may be somewhat inflated as to the market value, or what I would list as market value, is the \$1 million valuation which was put upon 2,850 shares, on the basis of 5 times its earnings during that early period.

Senator CLARK. Shares of what?

Senator WILLIAMS. Serv-U Corp. But the reason I submitted this, as I stated earlier, this is the first report which I have seen which would prove that Bobby Baker did own stock in the Serv-U Corp. I have seen that denied otherwise, but this report does show where allegedly it had been put up as collateral in Oklahoma City.

The CHAIRMAN. Any further questions?

Senator SCOTT. Senator, you referred to having given us all the information that has come to you. And I seem to remember one loose thread of earlier testimony. And on this I may be wrong. But I think you gave us some testimony about Mrs. Novak making a cash deposit in the neighborhood of \$40,000 in various banks for the account of or benefit of Bobby Baker. Is that right?

Senator WILLIAMS. Yes. I said that I understood her testimony would support that statement. I will say this: I did not present the proof of it myself. I passed it on to you as I told you. I gave you the names of the banks. I am reasonably certain that Mrs. Novak's testimony will support that. In the event that it does not I would be glad to talk with Mrs. Novak sometime when her counsel is present, just in the event that there is a contradiction of that statement. I presented it to you only as hearsay evidence, but I did get that report and think it is accurate.

Senator SCOTT. The loose end I was talking about is how the money came into Mrs. Novak's possession. Where did she get the cash, and did somebody else count the money out for her, or anything of that sort?

Senator WILLIAMS. I don't have any memorandum on that here. I am speaking from memory only. I will try to give it to you the best I recall.

I think that one particular transaction involved around \$13,000—\$12,000 to \$13,000. It involved some such figure as that, which was to meet a payment due, if I recall correctly, around November 1962. I have the notes in the office if you need this in more detail. On that occasion, as I recall it, she went to his office over in the Capitol, and got that amount of money in cash and deposited it in a bank. I think you will find in my earlier testimony I gave you the names of these banks where it was deposited, and I said then that it could be easily checked. These cash transactions involving \$30,000 to \$40,000 were one of the major points which I called to the attention of Senator Mansfield early in October and suggested that Bobby be advised that we wanted to ask him about it.

I said that it would be very simple, No. 1, for him to confirm it, and if he confirms it to tell us where and for what purpose he got this money and support it. After all, it could be somebody submitted him a check or cash—we recognize cash as legal tender in this country. Or if he denied it, I said it would be a very simple matter for him to go with one of us to the bank in question and authorize the bank to make available to either one of us his deposit ticket as of that date.

Banks do keep records of handling cash payments in excess of a thousand dollars. The bank was right here close to the Capitol.

My point, then, was that this was something that can be confirmed, or if denied the denial can be checked within 24 hours, and we could do it very quietly. That was suggested about 3 days before Bobby resigned. Now, he resigned rather than discuss that problem with us, which, to me, was rather significant; and I was disappointed.

The CHAIRMAN. You gave us that testimony. It is in the record.

Senator WILLIAMS. Yes; I gave that testimony. I am trying to reconstruct it from memory. And I do have a memorandum in greater detail in the office. I know you are talking with Mrs. Novak, and I think she can give it to you in exact details. She was acting as secretary or treasurer for the company and was handling these deposits so she would have the records or could get them. I think she can verify all of this for you.

Senator SCOTT. I was only asking the question of where she got the money. I don't think you gave us that.

Senator WILLIAMS. I don't recall whether I did or not. But, anyway, in at least one of the instances—I think I recall this correctly—it was picked up from Bobby's office, and I am inclined to think you will find the bulk of it was picked up around the Capitol here.

The CHAIRMAN. I think that will all be brought out, because Mrs. Novak spent the entire afternoon here yesterday, and the afternoon before, in company with the investigators. I think that information will all be available to the committee without any problem.

Senator WILLIAMS. Well, as I say, as I was presenting it to you, it had to be hearsay.

The CHAIRMAN. Of course, we don't want to release that to the press yet, that Mrs. Novak has been here, because we are not through with her yet.

Senator WILLIAMS. I am submitting these to you to the best of my knowledge. If there is a denial of some of this, I would be glad, with your counsel, to discuss it with these people and maybe refresh their memories somewhat.

The CHAIRMAN. Senator Pell, do you have a question?

Senator PELL. I have just two questions. Is it your impression that there is bad blood or good relations between Mr. Reynolds and Mr. Baker?

Senator WILLIAMS. I gathered there was a great reluctance on the part of Mr. Reynolds to give any information which would be damaging to Baker. At first, I did not get much information. Later I obtained more information from Mr. Reynolds—I let him know I did have part of it, and then he was most willing to present it. He said the committee could get it, and, therefore, he cooperated fully.

He was discussing these points and payments. I told him I would like to tell the committee I have seen this, so we arranged a meeting. He came down to the office and brought these records in. Then I asked him to leave them there so that I could examine them, with the understanding that if they were reported to the committee before his request for their return I would have to turn a copy over to the committee. I discussed this with the chairman.

I could be in error on this, but I have heard since that Mr. Reynolds has been somewhat scared; maybe somebody has suggested that he shouldn't talk—I don't have any knowledge as to what is bothering

him. But, anyway, I heard a report that I may be asked for the records which I have in my office, and, if he did I am obligated to give it back to him as I promised. Nevertheless, here is a copy of those documents, and I think he will support them.

Senator PELL. One other question: Has Mr. Baker been given any opportunity to present his side to all the allegations that have been made, except for the time when he resigned?

Senator WILLIAMS. I don't know. I thought it would be rather presumptuous on my part to ask Mr. Baker to come to me now and explain. I am pretty sure he would not. We did give Mr. Baker from Thursday until Monday afternoon to come before Senator Mansfield, Senator Dirksen, and myself, and Senator Mansfield brought in Senator Humphrey, also. Mr. Baker decided not to talk. Since that time I have not tried to contact him.

I might say I had talked with these same people before—I talked to Senator Mansfield, and naturally I talked to Mrs. Novak—otherwise I would not have the information to talk with Senator Mansfield. Having talked to her it is only natural that you see others, and you keep on listening. If in the process of it I develop additional information, whether it may be constructive or otherwise, I take all the information I can get, and later you can put it together as a story. I don't want you to think I have no confidence in the committee or that I am trying to conduct an investigation on my own. I am not. But at the same time, when a person comes to my office and wants to talk I am a great listener.

The CHAIRMAN. Senator Clark?

Senator CLARK. Senator, my understanding from your previous testimony was that while you have never talked with Mr. Baker, you were advised by other Senators that they had talked with him prior to his resignation. Is that correct?

Senator WILLIAMS. Yes. Senator Mansfield did. You see, on Thursday I talked with Senator Mansfield. I don't know the dates—but that is around the 1st of October—I put the dates in the record. It was early in the afternoon on Thursday that I talked with Senator Mansfield, and suggested that we talk with Baker. I told him of the nature of the transactions which were disturbing me. He had another commitment which would prevent him doing it that afternoon. In addition, he thought it would be well that we have present at the meeting when we met with Baker both Senator Dirksen and he as the joint leadership; to this I agreed.

In the meantime, it was left as my responsibility to contact Bobby and tell him of the nature of the problems which were disturbing me so that he could discuss them with all of us on Friday. I tried at least 10 or a dozen times Thursday afternoon and Friday morning to get in touch with Mr. Baker, unsuccessfully.

Senator CLARK. My interest is what other Senators you know talked to Bobby.

Senator WILLIAMS. I don't know of any.

Senator CLARK. Except Senator Mansfield?

Senator WILLIAMS. That is the only one I can say that did, because Senator Mansfield told me that he did.

Senator CLARK. Did he tell you whether any other Senators were with him when he talked to Bobby?

Senator WILLIAMS. I never asked him. I don't know. To lead up to how I got this information—Friday afternoon around 1 to 2 o'clock this meeting was scheduled in Senator Mansfield's office and Senator Dirksen was to be back in town. In the meantime I had contacted him in Vermont where he was making a speech and asked him to come by the Capitol before he went home, which he did. And I reported to that group. Present at that meeting were Senator Humphrey, Senator Russell, Senator Mansfield, Senator Dirksen, and myself.

Senator CLARK. I thought you said Senator Anderson was there.

Senator WILLIAMS. No; not at that meeting. This was on Friday. I told them that I had been unsuccessful in locating Baker, and Senator Mansfield sent out for him and said, "I will ask him to come in."

The girl came back with the report that she, too, was unable to locate him but that he was around Washington somewhere, and the meeting broke up. At that time I told this group the substance of what I told you the first day. I did not know about this Puerto Rican operation at that time—I had not heard of it. We left the meeting to be set at a later date.

When I got home Friday night Senator Mansfield called and told me he had located Mr. Baker and wanted to know if 3 o'clock Monday would be suitable for the next meeting. I told him it was. He then wanted to know if it was all right if he told him the nature of the allegations which I had called to his attention, so that Baker would be fully advised, and I told him that would be all right. I understood he did tell him.

Then on Monday, while we were in Senator Dirksen's office waiting for Robert Baker and Senator Mansfield, we got a call from Senator Mansfield saying he would be somewhat delayed. When he came he had with him Senator Anderson and we were told Bobby Baker had submitted his resignation.

Senator CLARK. Just the two of them showed up?

Senator WILLIAMS. Yes. Now, as to who saw Bobby Baker and talked with him I have no knowledge and never asked.

Mr. CHAIRMAN. Are there any further questions?

Senator WILLIAMS. I don't think there is any question—in fact, I know there is no question but that Baker was fully advised from Friday until Monday of the substance of the questions that we wanted to ask. He did have ample opportunity to appear.

The CHAIRMAN. Although Major McLendon has not been confirmed by this committee, I would give him an opportunity now to ask any questions.

Mr. McLENDON. I don't have any questions.

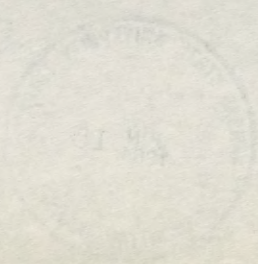
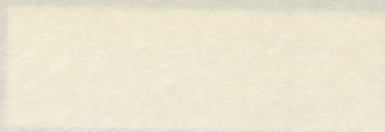
The CHAIRMAN. Well, thank you very much, Senator Williams. We appreciate this information, and we appreciate your being with us, sir.

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The CHAIRMAN. We will now recess.

(Whereupon, at 12 noon, the committee recessed, subject to the call of the Chair.)

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