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FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

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HEARINGS

BEFORE THE

COMMITTEE ON RULES AND ADMINISTRATION UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

FIRST AND SECOND SESSIONS

PURSUANT TO

S. Res. 212 and S. Res. 221

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

JANUARY 9, 17, 1964

PART 1

Testimony of Don B. Reynolds

Printed for the use of the
Committee on Rules and Administration

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[Executive hearings of January 9, 1964, and January 17, 1964, released to the public January 21, 1964.]

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FEB 11
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FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

THURSDAY, JANUARY 9, 1964

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

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

Present: Senators Jordan (presiding), Hayden, Pell, Clark, Byrd, Curtis, and Scott.

Also present: Gordon F. Harrison, staff director; Hugh Alexander, chief counsel; L. P. McLendon, general counsel; James Duffy, associate counsel; Burkett Van Kirk, associate counsel; William Ellis Meehan, investigator; and Lorin H. Drennan, staff assistant.

The CHAIRMAN. The witness is present. We will proceed with the meeting.

A quorum is present. Will the committee please come to order?

Pursuant to Senate Resolution 212, agreed to on October 10, 1963, and Senate Resolution 221, agreed to on November 1, 1963, the Committee on Rules and Administration is conducting a study and investigation, with respect to any financial or business interests or activities of any officer or employee or former officer or employee of the Senate for the purpose of ascertaining:

(1) Whether any such interests or activities have involved conflicts of interest or other impropriety, and

(2) Whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or restricting any such interests or activities.

The witness appearing before the committee today is Mr. Don B. Reynolds, who is accompanied by counsel, Mr. James Fitzgerald.

The committee appreciates your voluntary appearance, Mr. Reynolds, and believes that your testimony will be of value to it in carrying out its legislative function.

Mr. Reynolds, if you will please rise and take the oath, please, sir.

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

Mr. REYNOLDS. I do, sir.

The CHAIRMAN. Thank you. Mr. Counsel, you may proceed with the investigation, sir.

TESTIMONY OF DON B. REYNOLDS, ACCOMPANIED BY JAMES F. FITZGERALD, COUNSEL

Mr. McLENDON. Will you state your full name and your business address for the record?

Mr. REYNOLDS. Don B., as in Baker, Reynolds.

Mr. McLENDON. And your business address?

Mr. REYNOLDS. 8485 Fenton Street, Silver Spring, Md.

Mr. McLENDON. Where is your residence? What is your residence address?

Mr. REYNOLDS. 13122 Venetian Road, Silver Spring, Md.

Mr. McLENDON. Counsel is present, is he not?

Mr. REYNOLDS. He is.

Mr. McLENDON. Mr. Counsel, will you state your name and address, sir?

Mr. FITZGERALD. I am James F. Fitzgerald, 8485 Fenton Street, Silver Spring, Md.

Mr. McLENDON. Under the rules of the committee I am sure, Mr. Fitzgerald, you will know that you are entitled to be present with your client all during the hearing, the investigation, during questions asked him, and you have the right to advise him but not to tell him what to say or testify yourself.

Mr. FITZGERALD. Yes, sir.

Mr. McLENDON. Mr. Reynolds, when did you first meet Mr. Robert G. Baker?

Mr. REYNOLDS. I think it was in 1953 or thereabouts.

Mr. McLENDON. Are you both from the State of South Carolina?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Did you incorporate your business with the name of Don B. Reynolds, Associates, Inc., in 1955?

Mr. REYNOLDS. Just Don Reynolds Associates, sir. Without the "B."

Mr. McLENDON. Was that in 1955?

Mr. REYNOLDS. That is correct.

Mr. McLENDON. At that time were the officers of the corporation yourself, president, Chester H. Keller, vice president, and Robert G. Baker, secretary and treasurer?

Mr. REYNOLDS. As founding members.

Mr. McLENDON. Beg pardon?

Mr. REYNOLDS. As the founding members.

Mr. McLENDON. Was any stock issued?

Mr. REYNOLDS. No, sir.

Mr. McLENDON. Did you have plans to issue capital stock?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Was Baker supposed to buy some of it?

Mr. REYNOLDS. He had subscribed to or committed to purchase 10 shares of it at $25 per share, sir.

Mr. McLENDON. Did he buy any?

Mr. REYNOLDS. No, sir.

Mr. McLENDEN. Did you wind up owning all the stock individually yourself?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. And has it been in that condition ever since insofar as the stock ownership is concerned?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Now, in 1960 or 1961, I believe the charter of your corporation was forfeited for the nonpayment of taxes, and you then renewed it, is that correct?

Mr. REYNOLDS. That is right.

Mr. McLENDON. And when you renewed the charter, did you reorganize with yourself as president, Robert G. Baker as vice president, and Milton L. Hauft as secretary and treasurer?

Mr. REYNOLDS. That is right.

Mr. McLENDON. Who is Milton L. Hauft?

Mr. REYNOLDS. He is acting in the capacity as my accountant.

Mr. McLENDON. You mean accountant for your company?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Did he—is he accountant for your company now?

Mr. REYNOLDS. As of December 31 he was, sir. I have not been in contact with him since.

Mr. McLENDON. Do you know whether he is also accountant for Robert G. Baker?

Mr. REYNOLDS. I know that he has mentioned that he has done work for Bobby Baker.

Mr. McLENDON. I have in my hand a copy of a newspaper article appearing in the Washington Post dated January 10, 1962. I will read you a statement from it and ask you whether it is correct or incorrect. I read the statement:

Baker said his interest in the firm—

referring to Reynolds Associates, Inc.—

is negligible, having invested about $1,000 when the firm was organized.

"I received no salary and have never received a dividend or any other remuneration from the company," Baker said. "It is strictly a one-man operation. I have only been in the office one time."

Is that statement correct or incorrect?

Mr. REYNOLDS. Sir, part of it is correct and part of it is incorrect.

Mr. McLENDON. What part of it is incorrect?

Mr. REYNOLDS. The fact of the investment, having put in a thousand dollars, is incorrect, sir.

Mr. McLENDON. All right.

Mr. REYNOLDS. The part that he had been in the office I think once is correct, sir.

Mr. McLENDON. What about the part that he said he never received any salary or compensation?

Mr. REYNOLDS. I think the document that you have, sir, would have to be used because I don't remember dates that you have.

Mr. McLENDON. But he did receive compensation?

Mr. REYNOLDS. Yes.

Mr. McLENDON. I will ask you about that in detail later.

Mr. Reynolds, did you attend a meeting in Robert G. Baker's office, his office as Secretary for the Majority of the Senate, about January 10—no—in the spring of 1960, attended by yourself; Matt McCloskey, contractor; William W. McLeod, Jr., Clerk of the House Committee

for the District of Columbia; Robert G. Baker, and Congressman John M. McMillan?

Mr. REYNOLDS. John L., sir.

Mr. MCLENDON. John L. Did you attend that meeting?

Mr. REYNOLDS. I did, sir.

Mr. MCLENDON. Who called it?

Mr. REYNOLDS. To the best of my knowledge, Bobby Baker called it himself, sir.

Mr. MCLENDON. What was the purpose of the meeting?

Mr. REYNOLDS. I truthfully don't know, sir. At first I thought it was for the purpose of just meeting Mr. McCloskey.

Mr. MCLENDON. Did you discuss the construction of the District of Columbia Stadium, commonly referred to as the District of Columbia Stadium?

Mr. REYNOLDS. To the best of my recollection, the only thing that was discussed was Mr. McCloskey's desire to bid on the stadium, sir.

Mr. MCLENDON. If he was successful bidder, was he to be required to give a bond, a performance bond?

Mr. REYNOLDS. At that point it was not discussed.

Mr. MCLENDON. Not discussed at that time?

Mr. REYNOLDS. To the best of my recollection, sir.

Mr. MCLENDON. Did McCloskey receive the award of the contract for construction of the stadium?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. And did you write the bond?

Mr. REYNOLDS. Yes, sir. As broker.

Mr. MCLENDON. Sir?

Mr. REYNOLDS. As broker but not as agent, sir.

Mr. MCLENDON. Do you remember the amount of the bond, face amount of the bond?

Mr. REYNOLDS. It was either $14 or $15 million. The penalty amount of it, sir.

Mr. MCLENDON. And what was the amount of the premium?

Mr. REYNOLDS. I think the gross amount was in the neighborhood of $73,000 or $74,000.

Mr. MCLENDON. And do you remember the amount of your commission?

Mr. REYNOLDS. It was about $10,000, sir.

Mr. MCLENDON. I show you a document dated September 13, 1960, on the stationery of Hutchinson, Rivinus & Co., addressed to you, and ask you to state whether you received that.

Mr. REYNOLDS. I did, sir.

(The document referred to was marked "Reynolds Exhibit 1" and is as follows:)

NEW YORK OFFICE
80 JOHN STREET

CABLE ADDRESS: "HUTCHRIV"

WASHINGTON OFFICE
7TH FLOOR, COMMERCE BUILDING
1700 K STREET N.W.

HUTCHINSON, RIVINUS & CO.
Insurance Brokers — Average Adjusters
Fire — Marine — Casualty
Life — Group — Pension Consultants
TELEPHONE: WALNUT 5-7000

PUBLIC LEDGER BUILDING
INDEPENDENCE SQUARE

FRANK T. CLAIN
W. WRIGHT HUMPHREYS
JAMES B. MCHALE, JR.
O. DONN BURTON
JOHN TYSON
GEORGE L. RITTER
J. CARROLL GOODMAN
SHOWDEN HENRY
NELSON BILLINGTON
FRANK I. CLAIN
FREDERIC N. BADERICK
JOHN B. ROY, JR.
ROBERT E. DONAHUE

PHILADELPHIA 6

Sept. 13, 1960

Mr. Don B. Reynolds, President
Don Reynolds Associates, Inc.
8485 Fenton St.
Silver Spring, Md.

Dear Mr. Reynolds:

RE: MC CLOSKEY & CO., BOND #4S-40225, THE AETNA CASUALTY & SURETY CO., CONTRACT FOR CONSTRUCTION OF COLUMBIA STADIUM, WASHINGTON, D. C.

In accordance with instructions from Mr. J. B. McHale, Jr., of this office, we enclose herewith our invoice for the premium of $73,631.28 covering Performance Bond in connection with the above captioned contract, less commission of $10,031.56, or net owing us of $63,599.72.

AHB:PS

Yours very truly,

HUTCHINSON, RIVINUS & CO.

By: A. H. Bent
Atwood H. Bent

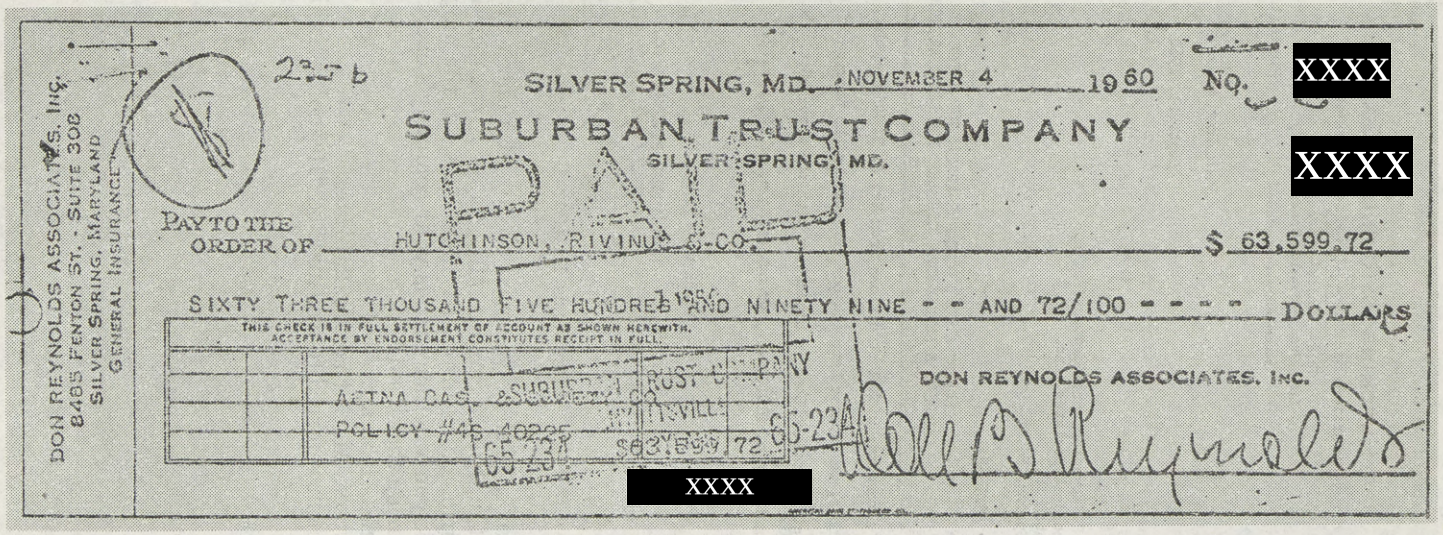
REYNOLDS EXHIBIT 1

Mr. MCLENDON. I show you next a copy of a check drawn on Suburban Trust Co., Silver Spring, Md., dated November 4, 1960, payable to that firm, Hutchinson, Rivinus & Co., in the amount of $63,599.72 and ask you whether that is your company's check in payment of the premium on that bond?

Mr. REYNOLDS. It is, sir.

Mr. MCLENDON. Mark that No. 2, please.

(The document referred to was marked "Reynolds Exhibit 2" and is as follows:)



REYNOLDS EXHIBIT 2

Mr. McLENDON. Did you shortly thereafter on about October 15, 1960, pay to Robert G. Baker the sum of $4,000 in compensation for his services in connection with the procurement of that bond?

Mr. REYNOLDS. I did, sir.

Sir, that was a personal check on my personal account.

Mr. McLENDON. Personal check?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. All right. I have it here. Let me find it.

I hand you a document and ask you if that is a copy of your check to which you have just referred?

Mr. REYNOLDS. It is, sir.

Mr. McLENDON. Whose endorsement does it bear on the back?

Mr. REYNOLDS. Robert G. Baker, payable to order of Alfred S. Novak.

Mr. McLENDON. Alfred S.

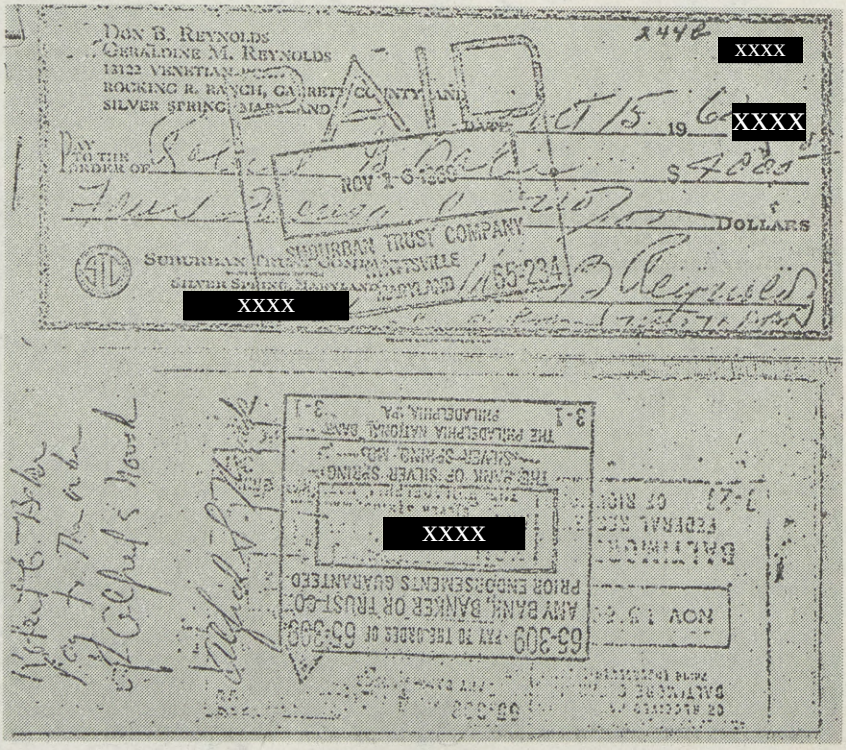
Mr. REYNOLDS. Alfred S. Novak, sir, and it bears Mr. Novak's signature also.

Mr. McLENDON. Was the check duly paid by your bank?

Mr. REYNOLDS. Yes, sir. It was deducted and sent to me.

Mr. McLENDON. Mark that as "Reynolds No. 3."

(The document referred to was marked "Reynolds Exhibit 3" and is as follows:)



REYNOLDS EXHIBIT 3

Mr. McLENDON. Thereafter did you receive from William McLeod, Jr., bills for legal services as a result of which you paid him $1,500 in two checks; one for $1,000 and one for $500?

Mr. REYNOLDS. That is correct, sir.

Mr. McLENDON. I show you what purports to be an invoice on the stationery of William N. McLeod, dated January 1, 1961, reading "For legal services, period of January 1, 1961, through June 30, 1961, $1,000," and ask you to state whether or not that is one of the invoices you received from McLeod?

Senator SCOTT. Major, do you want to have those McLeod checks marked "R-4?"

Mr. McLENDON. I am coming to them right now.

This was the invoice?

Mr. REYNOLDS. Yes, sir. This is a true copy.

Mr. McLENDON. Give that "Reynolds No. 4."

(The document referred to was marked "Reynolds Exhibit 4" and is as follows:)

WILLIAM N. McLEOD, JR.
Attorney at Law
BISHOPVILLE, SOUTH CAROLINA

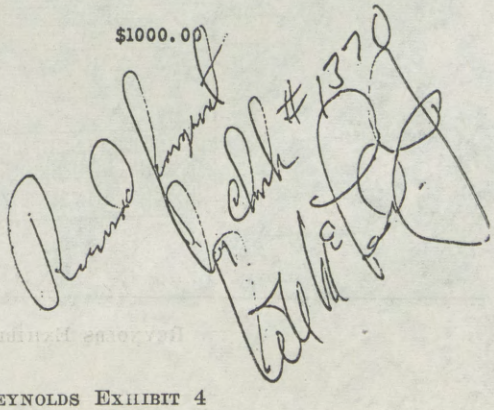
January 1, 1961

Don Reynolds Associates, Inc.
8485 Fenton Street
Silver Spring, Maryland

For legal services period of January 1, 1961 through

June 30, 1961.

$1000.00



REYNOLDS EXHIBIT 4

Mr. McLENDON. You received a second invoice from him for about the same amount, did you not?

Mr. REYNOLDS. He billed me for a second thousand dollars.

Mr. McLENDON. And did it read in the same manner, for legal services, without stating specifically what the legal services were?

Mr. REYNOLDS. To the best of my recollection, yes, sir. If you have the documents, I would like to refresh my memory, please.

Mr. McLENDON. While we are finding that, did you pay McLeod the $1,500 as you previously testified?

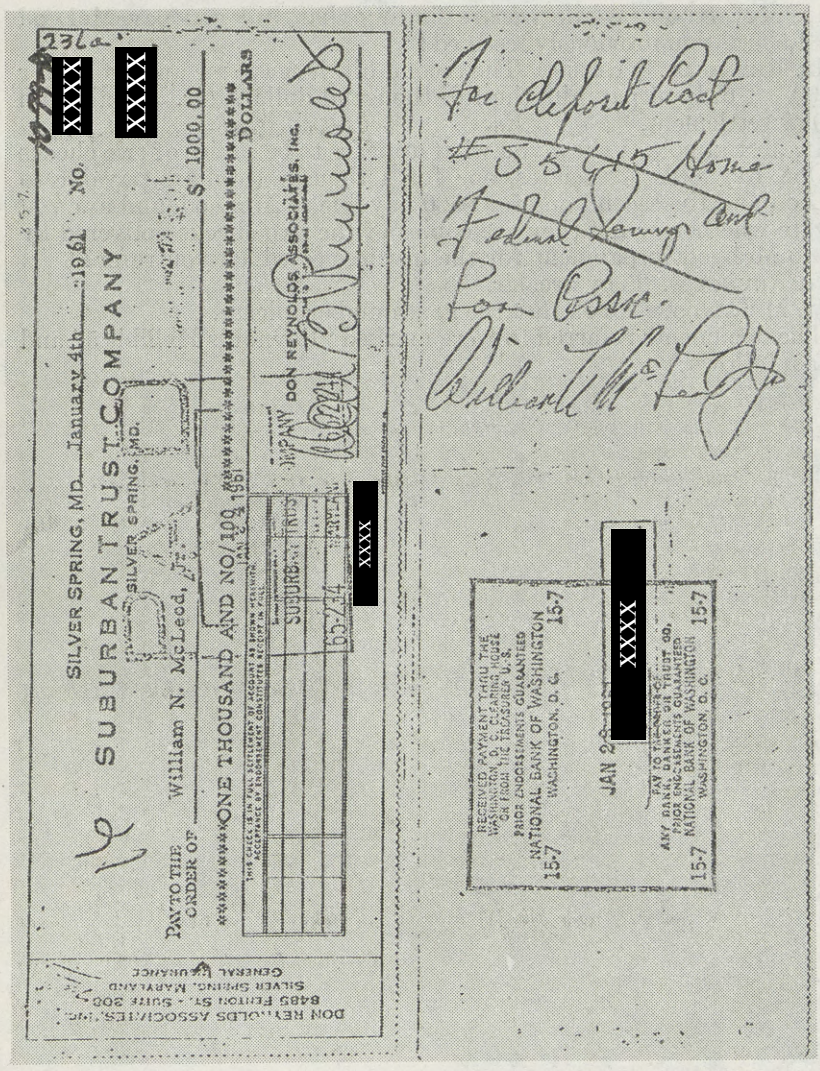
Mr. REYNOLDS. Yes, sir. The second bill he gave me an invoice for $1,000. I did not pay him the full thousand dollars, sir. I paid him $500 as settlement.

Mr. McLENDON. I show you what appears to be copies of two checks of Don Reynolds Associates, one for a thousand dollars payable to McLeod and the second one for $500 payable to McLeod, and ask you to state whether or not they are copies of the two checks delivered by you to McLeod in payment for the invoices to which you refer?

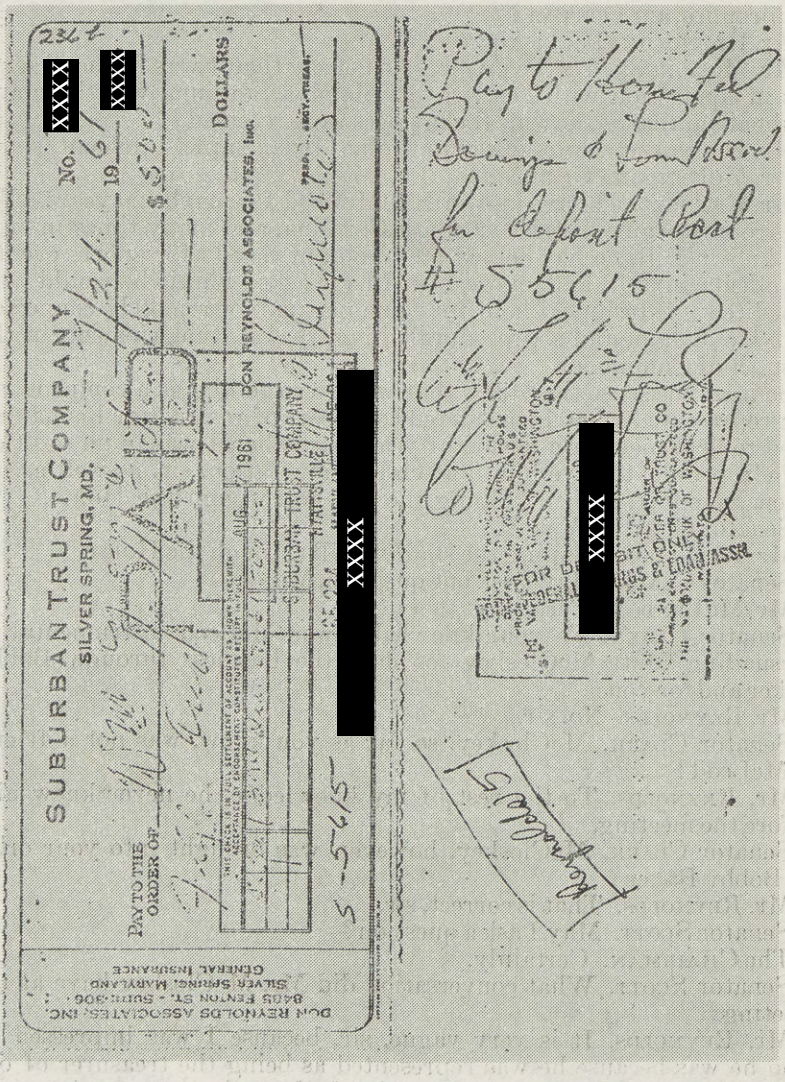
Mr. REYNOLDS. They are, sir.

Mr. McLENDON. Mark that the next number, please.

(The documents referred to were marked "Reynolds Exhibit 5" and are as follows:)



REYNOLDS EXHIBIT 5



REYNOLDS EXHIBIT 5—Continued

Mr. McLENDON. Will you explain why it was that you paid one invoice in full for a thousand dollars and the second one you only paid $500?

Mr. REYNOLDS. It was an honest difference of opinion between Bill McLeod and myself as to whether the services that he had rendered in my behalf, sir, were valid for $2,000—or for the $1,500 amount, sir.

Mr. McLENDON. So the $500 on the second invoice represented a compromise, am I correct?

Mr. REYNOLDS. That is correct.

Mr. McLENDON. As the invoices do not say that it was for legal services in connection with District of Columbia Stadium, was there any doubt about that at the time the invoices were received?

Mr. REYNOLDS. I would like to preface by a simple statement, sir.

Mr. McLENDON. Go ahead.

Mr. REYNOLDS. I have known Bill McLeod for maybe 20 years. We are from the same district in South Carolina, and many times in having known Bill, he has helped me to obtain tickets for sports events, for clients, myself, and on occasion I have asked him if he would help expedite some technical help for some person, not remotely connected with me or him, and a procedural thing, that is, time element, in the District of Columbia.

So in a true sense the $1,500 that was given to him as a compromise, sir; represented what I considered some sort of reward for his having tried to help me over a period of years, sir, when I was in no position to help people, to give him financial remuneration, sir, as well as his extensive effort, and in helping the bill go through the House.

Senator CURTIS. What?

Mr. REYNOLDS. Helping the stadium bill through the House.

Senator CLARK. May I ask one question, Major?

Mr. McLENDON. Certainly.

Senator CLARK. To your knowledge was McLeod instrumental in persuading Matt McCloskey to place the business through Bobby Baker and/or you?

Mr. REYNOLDS. No, sir.

Senator CLARK. McCloskey, so far as you know, was not a friend of McLeod?

Mr. REYNOLDS. To the best of my knowledge, he never knew him before the meeting.

Senator CLARK. McCloskey, however, was brought into your orbit by Bobby Baker?

Mr. REYNOLDS. That is correct, sir.

Senator SCOTT. May I ask a question?

The CHAIRMAN. Certainly.

Senator SCOTT. What conversation did Mr. McCloskey have at the meeting?

Mr. REYNOLDS. It is very vague, sir, because I was impressed by who he was because he was represented as being the treasurer of our national Democratic Party, sir, and I had not been exposed to such a level of people.

Senator CLARK. The record ought to show he is presently Ambassador to Ireland.

Mr. McLendon. Do you know that, Mr. Reynolds?

Mr. Reynolds. Yes. He was made Ambassador to Ireland.

Senator Clark. Still is.

Mr. Reynolds. And he discussed the fact that he had built stadiums and he would like the privilege of bidding—that is the word he used—hoped he would get the job.

Senator Scott. Did he discuss that about the privilege of bidding to you or to Mr. McLeod or to Mr. McMillan?

Mr. Reynolds. I don't think he addressed it to me because I was insignificant. I just happened to be there. I think he was sitting, to the best of my knowledge, next to Bobby, Bobby's desk, and he was just talking to the group, sir.

Senator Scott. On that general subject of the payment for services rendered, would it be fair to say that the greater part of the services rendered pertains, as you have said, to his getting the bill through the House, the stadium bill?

Mr. Reynolds. Yes, sir. In other words, as far as I was personally concerned.

Senator Clark. Why were you interested in getting the stadium bill through the House?

Mr. Reynolds. Sir, I would appreciate getting the opportunity to tell you. I belong to the Metropolitan Board of Trade and had been a member of the Cultural Development Subcommittee for the last maybe 10 years and having had the privilege of living in Europe, I became interested in the so-called cultural aspects of music and the arts, and the question came up about trying to help obtain—call it fine arts, call it performing arts, what you wish—for the District of Columbia, and since John McMillan has been my friend since I was a young boy, and is chairman of the District of Columbia Committee of the House, I approached him with trying to get this sort of thing and I did not get to first base, sir.

So when the thought came up about the stadium, sir—I wanted to answer this as completely as I can for you—the response on the idea of a stadium—I found much greater reception. No question of any bonds or any insurance at all connected with it whatsoever, sir.

Senator Pell. May I ask a question along this same line? Was Baker in any way responsible in your mind in helping secure passage of the stadium bill?

Mr. Reynolds. Sir, I do not know the technicalities on the Senate side. I am not familiar with it, but I know it ran into some technical snag at some point, sir, and I know that Bobby—I contacted Bobby and asked if he would help to make sure it did not get bogged down.

Senator Scott. In the Senate, that is.

Mr. Reynolds. Yes, sir.

Senator Pell. Were any of the payments made by you to Baker as payment or reward for his actions in this matter?

Mr. Reynolds. I would say payments made to Bobby at all times were for his efforts that he had been making in my behalf, sir, directly, and I hoped he would continue in the future to help me.

Senator Clark. Well, Mr. Reynolds, am I not correct that the payment to Baker was in return for his bringing McCloskey's bonding business to you?

Mr. REYNOLDS. Sir, I would not have made any money had I not been given the privilege of writing the performance bonds as broker.

Senator CLARK. So Baker was responsible for bringing McCloskey to you.

Mr. REYNOLDS. That is correct, sir.

Mr. MCLENDON. Mr. Reynolds, to avoid perhaps the necessity of calling you back on this point at a later time, I can inform you that Mr. McLeod contends that you were in error about the purposes of these two checks. It is his contention that you paid him the $1,500 for legal services, rendered by him in South Carolina and not in connection with the District of Columbia Stadium bonds.

Now, in view of that statement which I have just made, what comments do you want to make to the committee?

Mr. REYNOLDS. Sir, to the best of my knowledge Bill McLeod never rendered any legal service to me or any member of my family in South Carolina, and I think if you check it with him, sir, that you will find I am correct.

Mr. MCLENDON. So you insist that this $1,500 was paid for services rendered in connection with the stadium.

Mr. REYNOLDS. The stadium plus the fact that he had always tried to help me in other matters, sir, when I asked him.

Mr. MCLENDON. Was your motive, then, in requesting Baker to become an officer in your company to take advantage of his wide acquaintance, his official position, and his prestige?

Mr. REYNOLDS. I felt that Bobby and I could supplement each other easily, that I would learn the insurance business, and that Bobby, because of his social contacts and his wide knowledge of people, sir, could present me to them.

Mr. MCLENDON. You knew, of course, the official position that he had.

Mr. REYNOLDS. Sir, I knew but I was not aware of what it really was.

Mr. MCLENDON. You mean you were not aware of his duties?

Mr. REYNOLDS. Yes, sir. In other words, I had no concept whatsoever at the time I first met Bobby as to what his official duties were.

Senator CLARK. May I ask one more question? Who suggested Hutchinson, Rivinus to you as the agents through whom this bond would be placed?

Mr. REYNOLDS. Mr. McCloskey did himself, sir.

Senator SCOTT. May I ask a question there? Who suggested the formation of the insurance company of which you and Mr. Keller and Mr. Baker were the officers?

Mr. REYNOLDS. He is now deceased, sir, but another gentleman in Baltimore; Mr. Bowen.

Senator SCOTT. How did he come to suggest the formation of the insurance company?

Mr. REYNOLDS. Because Poor, Bowen, Barker & Kennedy is a large general insurance company in Baltimore and Mr. Pres Bowen—Presley is his name—had started out as an underprivileged person who ended up owning the company. And he gave me the advice that since I wished to be an insurance man, that I should learn all possible. And it was Mr. Bowen who sponsored my going to the school of the United

States Fidelity & Guaranty Co. And in discussing the formation of an insurance company, because I had been agent for the Equitable Assurance Society of the United States, that I should look toward two or three types of men who might supplement each other, and a man this active in the building trades or in shopping centers, such as that, would have a wide knowledge of local people and for this I chose Mr. Keller who owns a shopping center; and the second one was a man who was inclined toward either purely political or social or a combination who get along well with people; sir.

Senator SCOTT. Then did you approach Mr. Baker or did he approach you?

Mr. REYNOLDS. I approached Bobby; sir.

Senator SCOTT. And how was the company to be set up?

Mr. REYNOLDS. The original thought was that we would have two different types of stock; sir. One we will call dividend stock and the other a managerial stock; sir. From the beginning to end Mr. Bowen advised me that I had to keep 100 percent of the management stock for me or I couldn't run the insurance company, sir, but in order to share with the other members, that I should set it up so they could be rewarded for their endeavors in my behalf, sir, and the simplest way was to let them own one-third each of the dividend stock.

So, it was set up to have 30 shares, each of us to have 10 at $25 par value, and Mr. Baker never paid for nor did he ever receive any of this stock, sir.

Senator SCOTT. So what Baker got, Baker paid nothing for shares in the company but was rewarded by compensation for assistance to the company in securing business including this construction job.

Mr. REYNOLDS. That is correct, sir.

Senator SCOTT. That is all I have.

Senator CURTIS. Just one question. Is Baker still vice president of the company?

Mr. REYNOLDS. Sir, it is, of course, a functional plan. It was just to give him an honorary title, I guess, is the appropriate word to use, so he could go out and represent himself as associated with me. He did not object to having himself placed as vice president.

Senator CURTIS. And still is.

Mr. REYNOLDS. To the best of my knowledge, the last application that was submitted to the insurance committee probably—I do not know; I have not checked, sir—still shows him. I don't think it has been amended.

Senator CLARK. When was that?

Mr. REYNOLDS. 1960, I think, sir.

Senator CLARK. Last application?

Mr. MCLENDON. 1961.

Senator CLARK. So, since this publicity broke has there been any severing of Mr. Baker's connection with your company?

Mr. REYNOLDS. No. sir; to the best of my knowledge.

The CHAIRMAN. We are going to have to recess for lunch.

Mr. REYNOLDS. Thank you, sir.

The CHAIRMAN. And come back at 2 o'clock.

Senator CURTIS. That is fine.

The CHAIRMAN. We will reconvene at 2 o'clock and proceed on with the investigation, and I would like to say this now: Don't make any statements to the press or anything whatsoever while we are recessed because they may be asking you questions.

(Whereupon, at 12:10 p.m., the subcommittee recessed, to reconvene at 2 p.m., this same day.)

AFTERNOON SESSION

(Now being present: Senators Jordan, Byrd, and Curtis at 2:10 p.m.)

The CHAIRMAN. The committee will reconvene. Counsel may proceed with his inquiries.

TESTIMONY OF DON B. REYNOLDS, ACCOMPANIED BY JAMES F. FITZGERALD—Resumed

Mr. MCLENDON. I show you what purports to be an invoice from William M. McLeod, Jr., about which we asked you this morning under date of July 15, 1961, for the $1,000 and ask you if that invoice was received before you made the payment of the $1,000 and $500 about which you testified?

Mr. REYNOLDS. Yes, that is correct.

Mr. MCLENDON. Mark that the next exhibit.

(The document referred to was marked "Reynolds Exhibit 6" and is as follows:)

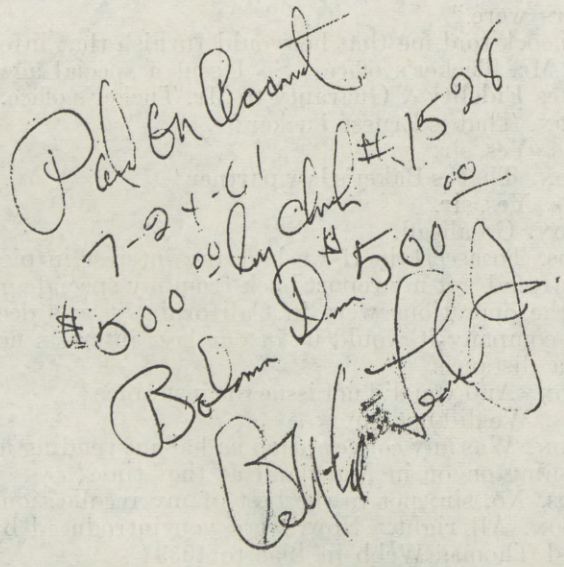
WILLIAM N. MCLEOD, JR.
Attorney at Law
BISHOPVILLE, SOUTH CAROLINA

July 15, 1961

Don Reynolds Associates, Inc.
8485 Fenton Street
Silver Spring, Maryland

For legal services period of July 1, 1961
through December 31, 1961.

$1000.00



REYNOLDS EXHIBIT 6

(At this point, Senator Clark entered the hearing room.)

Mr. MCLENDON. Mr. Reynolds, in March 1963, did you meet a man named Eugene Hancock who was in the vending machine business?

Mr. REYNOLDS. I don't remember the date, but I did meet a Mr. Hancock in Bobby's office.

Mr. MCLENDON. At Baker's office?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Did you have a conversation with him about insuring some vending machines that were at that time stored over in Maryland?

Mr. REYNOLDS. No, sir.

Mr. McLENDON. Did you have a conversation about insuring any vending machines?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Tell us briefly about it.

Mr. REYNOLDS. This is the sequence that happened.

Mr. McLENDON. All right, go ahead.

Mr. REYNOLDS. Bobby introduced me to Mr. Hancock, told me that he was an officer in Serv-U Corp. Until that time I had never heard of Serv-U. So I said, "What is Serv-U" and he said, "Well, we have a lot or a great number of vending machines for dispensing cigarettes, coffee, and all this type of operation, and if possible we are going into the cafeteria type of operation later."

Mr. McLENDON. This is Baker talking?

Mr. REYNOLDS. No, sir; this is Mr. Hancock who said this to me.

Mr. McLENDON. OK.

Mr. REYNOLDS. And I said, "Well, the companies with whom I am associated require, before we discuss taking insurance on any particular risk, we would like a statement of premiums paid, the losses paid so we can determine the loss ratios. And also we must know who the previous carriers were."

And Mr. Hancock told me that he would furnish that information to me through Mr. Tucker's office. So I sent a special agent from the United States Fidelity & Guaranty to Mr. Tucker's office.

Mr. McLENDON. That is Ernest Tucker?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. That is Baker's law partner?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Go ahead.

Mr. REYNOLDS. To ascertain if we had any interest in picking up the risk. And after I got my report back from my special agent, and since most of the operations were in California, it was decided by me and by my company it would be in our best interests not to try to do it from a distance.

Mr. McLENDON. And you did not issue the insurance?

Mr. REYNOLDS. We did not, sir.

Mr. McLENDON. Was any conversation had about vending machines located in Washington or in Maryland at that time?

Mr. REYNOLDS. No, sir; not to the best of my recollection.

Mr. McLENDON. All right. Now, were you introduced by Baker to a man named Thomas Webb in 1958 to 1959?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Did you know Webb before?

Mr. REYNOLDS. No, sir.

Mr. McLENDON. Did you have any conversation with Webb in Baker's presence about going to Florida for the purpose of getting acquainted with Clint Murchison?

Mr. REYNOLDS. It could be, sir, but I have no recollection of any direct statements.

Mr. McLENDON. What about Webb? Did he suggest to you that it might be profitable for you to go to Florida and get acquainted with Clint Murchison, Jr.?

Mr. REYNOLDS. It would have either been Bobby or Tommy or both of them together. Who suggested it I don't——

Mr. McLENDON. Do you recall where you were when Baker introduced you to Thomas Webb?

Mr. REYNOLDS. I don't.

Mr. McLENDON. Do you recall the occasion or anything that would help you remember any detail?

Mr. REYNOLDS. No, sir; I don't.

(At this point, Senator Byrd left the hearing room.)

Mr. McLENDON. As a result of being introduced to Webb, were you invited to attend a party at the Hotel Fontainebleau in Miami given by Murchison?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Did you attend?

Mr. REYNOLDS. I did, sir.

Mr. McLENDON. Approximately how many people were there?

Mr. REYNOLDS. It varied, sir.

Mr. McLENDON. Just an approximate estimate. A large number or small?

Mr. REYNOLDS. In general it must have been 75 or 100 people there, sir.

Mr. McLENDON. Was Baker there?

Mr. REYNOLDS. No, sir; to the best of my knowledge, no.

Mr. McLENDON. Were any of Baker's business associates there like his law partner Tucker or Webb?

Mr. REYNOLDS. Webb was there.

Mr. McLENDON. Webb was there?

Mr. REYNOLDS. Yes, sir. He was the one that arranged it.

Mr. McLENDON. What about Fred Black? Was he there?

Mr. REYNOLDS. No, sir, althought I did not know Mr. Black at all at that time.

(At this point, Senator Byrd returned to the hearing room.)

Senator CLARK. What did Baker say to you about Webb when he introduced you to him? What was the background of the introduction?

Mr. REYNOLDS. He said that Tommy Webb was a good acquaintance of his, that is Bobby's and that he was Clint Murchison, Jr.'s representative here in the District, and he knew an awful lot of important people.

Senator CLARK. And, therefore, it would be a good thing for you to meet him?

Mr. REYNOLDS. That is right, sir.

Mr. McLENDON. Was this a purely social occasion that you attended in Miami?

Senator CLARK. Are they ever?

Mr. REYNOLDS. Sir, what is social? To me——

Mr. McLENDON. I use the expression to distinguish it from a business meeting.

Mr. REYNOLDS. They conducted business, sir.

Mr. McLENDON. Did no business at that meeting?

Mr. REYNOLDS. Did do business.

Mr. McLENDON. They did do business?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Did you meet a man named Leonard Burstein at that meeting?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Had you ever known him before?

Mr. REYNOLDS. No, sir.

(At this point, Senator Pell entered the hearing room.)

Mr. McLENDON. Could you tell us briefly who he was and what business he was in at that time?

Mr. REYNOLDS. I can tell you what he told me.

Mr. McLENDON. OK. I don't want great detail, just so you can identify him.

Mr. REYNOLDS. That he had been a lawer, an investigator on the McCarthy subcommittee.

Mr. McLENDON. On what?

Mr. REYNOLDS. On Senator McCarthy's subcommittee, and while he was there, he made reference to the fact that he knew Mr. Bobby Kennedy, later on the McClellan subcommittee, and that he had gone to Minneapolis, I think Minneapolis, Minn., where he maintained a legal residence, and that he also maintained one in Miami Beach, and that he knew a lot of top influential people, one of which had helped bring into being Mortgage Guarantee Insurance Corp. of Milwaukee.

Mr. McLENDON. Did he represent himself as an agent or representative of that company?

Mr. REYNOLDS. Sir, I don't remember that he said that he represented that company at all, but he said he was instrumental in figuring out how to bring it into being.

Mr. McLENDON. What did he tell you in connection with Baker's connection with the Mortgage Guarantee Insurance Corp.?

Mr. REYNOLDS. During the period of 2 or 3 days that we were there, sir, this would be a summary of from time to time broken up between people coming in and going out, that the American economy needed Mortgage Guarantee Insurance Corp. where VA and GI insurance could not cover the loans, and that this Mortgage Guarantee Insurance Corp. filled the need, but they had been very slow in getting started, and they needed to have first of all an infusion of well-known men in the financial world on the board.

Mr. McLENDON. The board of directors?

Mr. REYNOLDS. The board of directors. Then once the board of directors had been established as stable and reputable, then they would have to sell the idea to the saving and loan institutions or banks, and since these men were to be chosen from the financial field, that the saving and loan industry and the banking industry would have their own respective group on the boards and it was sometime toward the close of the meeting it was suggested that probably the Government should not be in the mortgage guarantee insurance business at all, the VA and GI Insurance Guarantee Corporation should not be in, and private interprise should move in and take it over?

Senator CLARK. Did that include FHA?

Mr. REYNOLDS. FHA and GI, right, sir.

Senator CLARK. VA and FHA should go out of business.

Mr. REYNOLDS. Right, sir, because they had $300 or $400 million, I think, as I remember the amount in assets, and they needed people in Washington who could help them convince Washington of the need of private enterprise taking over where Government had gotten itself into the field, and Mr. Burstein said that he would come to Washington with Mr. Webb and asked would I join them when they came here to discuss it.

Mr. MCLENDON. What did he say about Baker?

Mr. REYNOLDS. He said that since Tommy Webb and Bobby were real good friends, that Tommy could work directly with Bobby to see what could be done on the Senate side, but they had to see a man by the name of ——

Mr. MCLENDON. Troup, was it?

Mr. REYNOLDS. Glenn Troup was the man to see and Lee, his secretary, I believe, that he would work on that part but they needed someone on the House side.

Mr. MCLENDON. Was it Mr. Stout?

Mr. REYNOLDS. No, sir. Mr. Stout is assistant——

Mr. MCLENDON. How about Congressman Multer?

Mr. REYNOLDS. Mr. Multer of New York, that is right, sir.

Senator CLARK. Abe Multer from New York?

Mr. REYNOLDS. Multer.

(At this point, Senator Scott entered the hearing room.)

Mr. MCLENDON. In consequence of those conversations did you after you turned to Washington with Webb and Burstein to see Congressman Multer?

Mr. REYNOLDS. Yes, sir, I did, to his office.

Mr. MCLENDON. Did you also go to see Mr. Stout, the District of Columbia Insurance Commissioner?

Mr. REYNOLDS. I did, sir.

Mr. MCLENDON. Were both of those interviews for the purpose of promoting MGIC?

Mr. REYNOLDS. Promoting Mortgage Guaranty Insurance Corp. I don't know it as MGIC.

Mr. MCLENDON. You didn't know it by that name?

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. Was Baker with you on either of those visits?

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. Did you consult with him?

Mr. REYNOLDS. He was informed by me or Webb or Burstein that we were going over to see Mr. Multer, sir.

Mr. MCLENDON. Did you report back to him the result of the conference?

Mr. REYNOLDS. No. I think Tommy Webb or Burstein did, sir.

Mr. MCLENDON. Did you have any further connection with the mortgage insurance business that you have just been testifying about?

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. Did you buy any stock in MGIC?

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. You did not. I believe you told me you consulted a prominent man about the advisability and he advised you against it, is that right?

(At this point, Senator Pell left the hearing room.)

Mr. REYNOLDS. It was his considered opinion, sir, that I should stay away from it.

Mr. MCLENDON. In 1959 did you become a member of a syndicate I will call it, a group of five or six individuals who formed the corporation known as the WERT Co?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. What was that? What was the purpose of it, put it that way?

Mr. REYNOLDS. The purpose as given to me, sir, before it was founded was to buy land and make real estate improvements in the State of Florida.

Mr. MCLENDON. Was the company organized?

Mr. REYNOLDS. It was, sir.

Mr. MCLENDON. Did Mr. Webb organize it?

Mr. REYNOLDS. Mr. Webb was the sparkplug.

Mr. MCLENDON. Were the people involved in it Webb and a man named Ellis of Florida?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. Yourself?

Mr. REYNOLDS. Right, sir.

Mr. MCLENDON. A man named Williams of Florida?

Mr. REYNOLDS. Right, sir.

Mr. MCLENDON. And a man named Tuppman?

Mr. REYNOLDS. Tuppman.

Mr. MCLENDON. Where was he from?

Mr. REYNOLDS. Jacksonville Beach, Fla., sir.

Mr. MCLENDON. How much stock were each of you supposed to put in, how much for stock?

Mr. REYNOLDS. Originally we were going to put up $560 each.

Mr. MCLENDON. Did you put up any?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. How much?

Mr. REYNOLDS. It was later changed, the amount for each person to put up, $600.

Mr. MCLENDON. How much did you put in?

Mr. REYNOLDS. $600, sir.

Mr. MCLENDON. How much did Baker put in?

Mr. REYNOLDS. $600, sir.

Mr. MCLENDON. Who held his stock? You didn't list his name.

Mr. REYNOLDS. Mr. Webb.

Mr. MCLENDON. You mean Webb held stock for Baker, but in Webb's name?

Mr. REYNOLDS. Sir, I could never say that I ever saw stock issued directly for Bobby, but I passed the money directly to Webb from Bobby.

Mr. MCLENDON. How much?

Mr. REYNOLDS. Originally $1,120, sir.

Mr. MCLENDON. What was the money for?

Mr. REYNOLDS. $560 represented according to what Bobby told me for himself which was the initial amount put up with the same amount for Scott Peek.

Mr. MCLENDON. For Scott Peek?

Mr. REYNOLDS. Who was Senator Smathers' assistant.

Mr. MCLENDON. Did you understand that these two shares if that is the proper way to describe it paid for in cash by Baker in that manner were to be held for him and Scott Peek?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. But in the name of Webb?

Mr. REYNOLDS. I don't——

Mr. MCLENDON. You didn't hear him talking about it?

Mr. REYNOLDS. At that point I didn't know what they were talking about, sir.

Mr. MCLENDON. Did you ever attend a meeting—you said this money was paid in cash, did you not?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. By Baker?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. Where were you when he paid it to you?

Mr. REYNOLDS. Originally I went to Bobby's office and either Bobby gave me the $1,120 to take to Tommy Webb or Bobby went with me, one of the two, sir, a strawman.

Mr. MCLENDON. You don't recall which?

Mr. REYNOLDS. No, I do not, sir.

Senator CLARK. Did I understand you to use the word escrow a minute or two ago?

Mr. REYNOLDS. No, straw. I didn't understand what they meant.

Mr. MCLENDON. Straw man. In your conference with one of our investigators you used the name of Bill Shea in this connection. What connection?

Mr. REYNOLDS. Mr. Shea at the time that I was brought in to meet Mr. Webb was a law partner of Mr. Webb and both employed by Clint Murchison, Jr., sir.

Mr. MCLENDON. Now, did this company you have been describing, for short we will call it WERT Co., did it negotiate a loan from the Teamsters Union?

Mr. REYNOLDS. It did, sir.

Mr. MCLENDON. What amount?

Mr. REYNOLDS. Sir, I am vague. It is somewhere between $95,000 and $105,000. I can't tell you. I have no written notes at all.

Mr. MCLENDON. Was it secured by a mortgage on this property you referred to?

Mr. REYNOLDS. Right, sir, and also I didn't know until it one that signed the mortgage, they had this down as personal indemnitory, sir, and I didn't know what that meant.

Mr. MCLENDON. Who was personal indemnitory, you and who else?

Mr. REYNOLDS. Webb, Tuppman, Ellis, all of us whose name appeared on the stock issue, sir.

Mr. MCLENDON. How about Baker?

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. He was out.

Mr. REYNOLDS. Because there is no stock in his name, sir.

Mr. MCLENDON. Do you know who negotiated this loan with the Teamsters Union? Who?

Mr. REYNOLDS. Tommy Webb, sir.

Mr. McLENDON. How do you know that?

Mr. REYNOLDS. He told me and I went with him on one occasion to meet Mr. Hoffa.

Mr. McLENDON. Mr. who?

Mr. REYNOLDS. Mr. Jimmy Hoffa.

Mr. McLENDON. So you know of your personal knowledge that that is how the loan was obtained and from whom the loan was obtained?

Mr. REYNOLDS. Yes, sir. I would make a statement further than that, sir. They wanted me to go to Florida when the appraisal was to be made and a gentleman by the name of Sam Souci was to make the appraisal for him, sir, and by this time I had already become disenchanted to find out that I was signing the mortgage as an indemnitor, that I didn't see fit to pay air transportation to Jacksonville Beach, sir, so I did not go.

Senator CLARK. Will you develop how they were able to get so large a loan with such a small capitalization?

Mr. McLENDON. How did it happen that Baker apparently owned stock in that and all the rest of the stockholders became guarantors of the debt, and you say he did not. How did that happen?

Mr. REYNOLDS. I can't tell you. Neither did Mr. Peek sign it, sir.

Mr. McLENDON. You can't explain why neither of them signed it?

Mr. REYNOLDS. I can guess now, sir, but it didn't occur to me at the time.

Senator CLARK. Actually, I thought you said it was because the stock was in straw name.

Mr. REYNOLDS. Right.

Senator CLARK. And the indemnitors were only the stockholders of record.

Mr. REYNOLDS. That is right.

Mr. McLENDON. Can you explain to the committee how you were able to negotiate a loan for this large amount of money on this piece of vacant property?

Mr. REYNOLDS. Sir, it wasn't vacant when it was purchased. It had improvements on it, what you would call resort framehouses on it.

Mr. McLENDON. The improvements on it have been described to the committee by another witness as being old and ready to be torn down and they were torn down, weren't they?

Mr. REYNOLDS. No, sir; they were moved over to a new section which was to become the housing development for Negro enlisted personnel stationed in the destroyer base in Jacksonville, sir.

Mr. McLENDON. I don't think that has been made clear before. The improvements on the lot were moved?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. And the plan was to build a new building on the place formerly occupied by the old buildings?

Mr. REYNOLDS. That is right.

Senator CLARK. How much equity did you have in that property, none?

Mr. REYNOLDS. Except—I understand the loan originally was for the full purchase price of the land, sir.

Senator CLARK. WERT purchased the property, did it not?

Mr. REYNOLDS. They purchased the property?

Senator CLARK. From whom?

Mr. REYNOLDS. Mr. Ellis and Mr. Williams handled that who were in the corporation, sir. I do not know, sir.

Senator CLARK. Do you know how much WERT paid for the property?

Mr. REYNOLDS. No, sir; I do not.

Senator CLARK. Was it more than $100,000?

Mr. REYNOLDS. I believe to the best of my recollection the amount of the loan given by the Teamsters in the purchase price should have been identical, sir.

Mr. MCLENDON. What was the appraisal value? You said Souci appraised it. What did he say it was worth?

Mr. REYNOLDS. I never saw it, sir.

(Disscussion off the record.)

Mr. REYNOLDS. Sir, with your permission I would like to tell you something I don't have in the record.

Mr. MCLENDON. Go ahead.

Mr. REYNOLDS. I was not in Jacksonville when the purchase was made but Mr. Sam Souci arrived on the plane with some other people. It was raining.

Mr. MCLENDON. Where was he from?

Mr. REYNOLDS. Indianapolis, Ind., and instead of going by and looking at the property he rode by and looked at it and went to the Turf Club and had a nice dinner.

Senator CLARK. So far as you know he never saw the property?

Mr. REYNOLDS. Not really, sir, except just passing.

Mr. MCLENDON. Let me see if I can make one point clear. If all of the five subscribers had purchased stock at $560 apiece, that capital would only have been——

Mr. REYNOLDS. $6,000, I think, the total was $6,000.

Mr. MCLENDON. $6,000?

Mr. REYNOLDS. I believe so, sir.

Mr. MCLENDON. So do you think the whole six was paid?

Mr. REYNOLDS. I never saw any books so I cannot say beyond myself what was paid for the property.

Mr. MCLENDON. But at any rate at the time this mortgage of $100,000 was obtained the corporation had no assets except this very small capital plus the land?

Mr. REYNOLDS. That is right, sir.

Mr. MCLENDON. Isn't it true, Mr. Reynolds, that at that time the Teamsters Union committed themselves to make another loan of almost $400,000?

Mr. REYNOLDS. I was told that.

Mr. MCLENDON. Who told you that?

Mr. REYNOLDS. Mr. Webb, sir.

Mr. MCLENDON. And what were the circumstances under which the second loan was to be made?

Mr. REYNOLDS. They would put up a motel on the land that was vacated by the movement of these frame buildings, a motel, shopping center, and a restaurant.

Mr. MCLENDON. And the money from the second loan was to be utilized for the construction of the motel; is that right?

Mr. REYNOLDS. That is right.

Senator CLARK. What about the liens, Major? Were there first and second mortgages?

Mr. MCLENDON. You already had a first mortgage on that so you would have a problem about that, wouldn't you?

Mr. REYNOLDS. I don't know, sir. I don't know how they arranged it.

(Discussion off the record.)

Mr. MCLENDON. Are you able to explain how you were able to negotiate such a large amount of property, supposing it had this value, on such a small amount of money?

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. Was anybody else in the crowd that had any particular influence with the Teamsters Union?

Mr. REYNOLDS. To the best of my knowledge it was a personal acquaintance between Tommy Webb and Jimmy Hoffa, sir.

Mr. MCLENDON. You don't think the Teamsters had any interest in the property itself, do you?

Mr. REYNOLDS. I never heard it mentioned, sir, nor do I have any reason to believe that they had.

Senator CLARK. Did you ever see a balance sheet of WERT?

Mr. REYNOLDS. No, sir.

Senator CLARK. So far as you know was one ever prepared?

Mr. REYNOLDS. I doubt it very seriously, sir.

Mr. MCLENDON. Do you know what the status of it is now?

Mr. REYNOLDS. I understand it is defunct, sir.

Mr. MCLENDON. Is it being liquidated?

Mr. REYNOLDS. No one has informed me really what the status is, sir. I took a trip 2 or 3 years ago to try to find out and they had a meeting and informed me no one knew anything, sir.

Senator CLARK. Was this a one-shot deal this WERT or were you supposed to be going into the building and real estate business generally? Was this a one-shot deal?

Mr. REYNOLDS. Sir, it was to be a continuous thing.

Senator CLARK. Was this the only deal that WERT ever went into?

Mr. REYNOLDS. Yes, sir, because I became disenchanted.

Senator SCOTT. Were you ever billed by anybody for any alleged claims arising out of the WERT Co.?

Mr. REYNOLDS. I personally was not, sir.

Senator CLARK. Do you happen to know if the Teamsters' loan was ever paid off?

Mr. REYNOLDS. No; I do not, sir.

Mr. MCLENDON. Have you talked to Mr. Williams lately?

Mr. REYNOLDS. I called Mr. Tuppman, sir, back in October, to ask him to please tell me what the status is.

Mr. MCLENDON. What did he say?

Mr. REYNOLDS. And he said to me that Tom Ellis and Williams had arranged with a fellow named Aherns——

Mr. MCLENDON. Aherns?

Mr. REYNOLDS. Whom I do not know. Aherns, I think that is his name, to take over and assume the mortgage, sir, and take over the equities in the properties, and that we were relieved, and then I asked about this personal indemnity. This is the thing that concerned me, sir, because in case of decline in value of it they could come back on us for additional funds.

Senator CLARK. Had you signed the papers which made you personally liable?

Mr. REYNOLDS. Yes, I had, sir.

Mr. MCLENDON. Do you have a copy of them?

Mr. REYNOLDS. No, sir, nor have I been given a copy of any paper.

Senator SCOTT. You were relieved of the $600?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. Mr. Reynolds, I will move on to another subject. You have furnished us a list of 10 items which you say are items of business for which Baker was responsible or helpful in procuring for your company and I want to ask you briefly about each of them.

The first one is "Casualty insurance on the Carousel Motel at Ocean City, Md."

Mr. REYNOLDS. Right, sir.

Mr. MCLENDON. Did you get that insurance through Baker?

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. How?

Mr. REYNOLDS. I got it through Mr. Novak.

Mr. MCLENDON. Mr. Novak?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. You knew at the time that Baker was interested in the Carousel?

Mr. REYNOLDS. Yes, sir; but I understood it was to be one-third each of three people, sir.

Mr. MCLENDON. Was that handled normally as insurance would be?

Mr. REYNOLDS. Yes, sir; because I had all of Mr. Novak's personal insurance and his general liability, sir.

Mr. MCLENDON. And all your negotiations were with Mr. Novak?

Mr. REYNOLDS. Yes, they were, sir.

Mr. MCLENDON. But Baker knew about it?

Mr. REYNOLDS. Yes, he did, sir.

Senator CLARK. Excuse me there, Major. Did you pay any part of the commission you earned on that to Bobby Baker?

Mr. REYNOLDS. No, sir.

Senator CLARK. Or to anybody else?

Mr. REYNOLDS. No, sir.

Senator CLARK. You consider you got that business yourself?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. Let me make the observation when we get to this business of the amount of money that you paid Mr. Baker it may not be literally correct that you didn't take this into consideration in paying him but we will reserve that until we get to it.

Mr. REYNOLDS. Right, sir.

Mr. MCLENDON. The next item is "Life builders risk home insurance on Donald and Alfred Novak and their wives." You say Baker had something to do with that?

Mr. REYNOLDS. He introduced me to the Novaks originally, sir.

Mr. MCLENDON. And you gave him credit for helping originate the business?

Mr. REYNOLDS. In other words, I would never have known the Novaks had it not been for Bobby, sir.

Mr. McLENDON. The third item is "Life insurance on Scotty Peek."

Mr. REYNOLDS. Right, sir.

Mr. McLENDON. How did Baker have anything to do with that?

Mr. REYNOLDS. He introduced me to Scott Peek.

Mr. McLENDON. The next is "Homeowners insurance for Senator Church." What did Baker have to do with that?

Mr. REYNOLDS. He called me and he asked me if I could arrange a first trust loan for Senator Church.

Senator CLARK. Arrange what?

Mr. REYNOLDS. A first trust loan on a home that Senator Church was purchasing.

Mr. McLENDON. Here in the District?

Senator CLARK. Maryland.

Mr. REYNOLDS. It is Maryland, sir—Montgomery County, Md.—and I arranged a preferable first trust loan for the Senator, sir.

Senator SCOTT. What was the amount?

Mr. REYNOLDS. I believe, sir, to the best of my recollection it is $30,000, but I may be wrong.

Mr. McLENDON. The next item was "Life insurance on Fred Black."

Mr. REYNOLDS. Right, sir.

Mr. McLENDON. Did Mr. Baker originate that or help?

Mr. REYNOLDS. He introduced me to Mr. Black and I arranged a first trust on his home in Spring Valley, sir.

Mr. McLENDON. The next is "Automobile insurance for Nancy C. Tyler." Did Baker introduce you to her and through his influence, did you get that business?

Mr. REYNOLDS. She called my office, sir, to the best of my knowledge, and I never discussed Miss Tyler's insurance. That was done strictly between my secretary and Miss Tyler.

Mr. McLENDON. She was secretary to Mr. Baker; was she not?

Mr. REYNOLDS. Right.

Mr. McLENDON. The next is "Homeowners life and automobile insurance for Robert and Dorothy Baker."

Mr. REYNOLDS. Right, sir.

Senator SCOTT. Before you go to that, Nancy C. Tyler is also Carole Tyler?

Mr. REYNOLDS. Yes, sir; that is how I knew her as Carole Tyler.

Senator CLARK. These first trust loans you are speaking about they are in effect first mortgages; aren't they?

Mr. REYNOLDS. They are first mortgages, sir.

Senator CLARK. Were you in the real estate business as well as insurance business?

Mr. REYNOLDS. Sir, I had been with the Equitable Life Assurance Society of the United States since 1953, and part of my job is arranging first trust and first mortgages for people with residential property, and in conjunction with that the Equitable has a plan, sir, if you arrange for a long-term loan for a preferable rate of interest, they ask you to purchase life insurance to cover the loan in case of premature death.

Senator CLARK. So when you issued a note on Senator Church's property, he was required as a condition to getting the mortgage to take out life insurance in the amount of the mortgage to protect the lending company; is that it?

Mr. REYNOLDS. In his case it was an exception, sir, because Senator Church had a medical history at that time that might have been questionable, and all I asked for was the privilege of writing fire insurance which was later converted to a homeowner's policy.

Senator CLARK. So he got the loan without the usual issuance of a life insurance policy?

Mr. REYNOLDS. That is correct, sir.

Senator CLARK. But you did write the fire insurance?

Mr. REYNOLDS. Yes, I did.

Senator CLARK. Do you remember how much the fire insurance policy was for?

Mr. REYNOLDS. It was for equal to or slightly above the amount of the first mortgage, Senator.

Senator CLARK. Do you know what appraisal of the property was?

Mr. REYNOLDS. No; I do not, sir.

Senator CLARK. When you negotiated that mortgage for Senator Church, was it your opinion and the opinion of the lending company that the property was worth substantially more than the mortgage?

Mr. REYNOLDS. Oh, yes, sir, without a question.

Senator SCOTT. What was the amount of the first trust for Black?

Mr. REYNOLDS. I believe that what I did for Mr. Black, sir, was arrange a first trust in the amount of $40,000 and $20,000 second trust.

Senator SCOTT. Now, was the Carole Tyler insurance based on a first trust or loan? What was the nature of the Carole Tyler transaction?

Mr. MCLENDON. That is automobile.

Senator SCOTT. Automobile only?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. Just a plain insurance policy on automobile?

Mr. REYNOLDS. Just automobile, that is all, sir.

The CHAIRMAN. Regular liability?

Mr. REYNOLDS. Right, sir.

The CHAIRMAN. Property damage?

Mr. MCLENDON. The next item on the list is a 60-day binder in September 1963 to cover vending machines for Ernest Tucker. Expla n that.

Mr. REYNOLDS. Tucker called me, sir, and said that he had purchased some vending machines and they wished coverage on them.

Mr. MCLENDON. Who is "they"?

Mr. REYNOLDS. He identified it as the Interstate——

Mr. MCLENDON. Interstate Vending Co.?

Mr. REYNOLDS. Vending of Miami, sir.

Mr. MCLENDON. Interstate Vending Co. of Miami?

Mr. REYNOLDS. Right and there was a mortgagee clause, sir—I can obtain the paper for you—there is a mortgagee clause because they owed money on them and had to keep them covered for the amount of the mortgage coverage and that they would have them stored in the warehouse for 30 or so days and then we would place what we call inland marine which means that they move from place to place to cover the value of the machines.

Mr. MCLENDON. Where were the machines stored?

Mr. REYNOLDS. They were stored in Prince Georges County, Md., sir.

27-211—64——3

KANSAS STATE UNIVERSITY LIBRARY MANHATTAN, KANSAS

Mr. McLENDON. Do you remember how many there were?

Mr. REYNOLDS. Sixty or sixty-five, sir, I believe.

Mr. McLENDON. Do you recall the amount of the insurance?

Mr. REYNOLDS. $80,000 to the best of my recollection, sir.

Mr. McLENDON. And Tucker handled that but said he was representing the vending company?

Mr. REYNOLDS. Yes, this is correct.

Mr. McLENDON. And your recollection is that he said it was Interstate?

Mr. REYNOLDS. There was something called Automatic Vending. Automatic Vending was the name of it, sir, instead of Interstate.

Mr. McLENDON. Automatic Vending Co.—did you know that that was one operated by Mr. Hancock in Florida?

Mr. REYNOLDS. No, I did not.

Mr. McLENDON. You didn't know?

Mr. REYNOLDS. No, sir, and I know that the mortgagee clause was Bush International, sir, International of Miami also, sir.

(At this point, Senator Pell entered the hearing room.)

Mr. McLENDON. The next item is insurance for Carpenters International Labor Union. What kind of insurance was that?

Mr. REYNOLDS. Sir, I think I made a statement at the time that Mr. Baker had nothing whatsoever to do with the Carpenters Interstate.

Mr. McLENDON. You did, sir.

Mr. REYNOLDS. I did.

Mr. McLENDON. You did write insurance for a number of individuals in that union?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. But you say now Baker was not responsible for that?

Mr. REYNOLDS. To the best of my knowledge and belief he had nothing whatsoever to do with it.

Mr. McLENDON. Was that a rather large volume of business?

Mr. REYNOLDS. It eventually after it moved here from Indianapolis became a nice volume of business.

Mr. McLENDON. Did you have an apartment that you rented on Missouri Avenue which you permitted these people to use?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. The Carpenters Interstate Union?

Mr. REYNOLDS. Right.

Mr. McLENDON. What do you mean by permitted them to use it? Exactly what do you mean?

Mr. REYNOLDS. Sir, the top men could always find a place in Washington.

Mr. McLENDON. I couldn't understand you.

Mr. REYNOLDS. Your top executive board could always find a place to stay in Washington even in May, June, and July, when the kids were here. But some of the lesser officials, they were constructing this new building in Washington, and they had people who had come back and forth and they had difficulty, and instead of trying to become, let's say, necessary for them by offering a hotel room to them so I could render a service to them I figured the most economical thing would be to try to get a small inexpensive apartment.

Mr. McLENDON. How large an apartment was it?

Mr. REYNOLDS. One bedroom.

Mr. McLENDON. Can you give us the name of the official of the company that you handled that with?

Mr. REYNOLDS. You mean——

Mr. McLENDON. An official of the union, I beg your pardon.

Mr. REYNOLDS. I just told them that it was——

Mr. McLENDON. I am trying to find out who you told.

Mr. REYNOLDS. It was—sir, I don't remember the one individual. They all knew it was there.

Senator CLARK. Give us a few of the names.

Mr. McLENDON. I still don't understand.

Mr. REYNOLDS. Sir, I don't know who used it and who did not use it because I was out of town myself, sir.

Senator BYRD. Mr. Chairman, he said he gave them the key. To whom did you give the key?

Mr. REYNOLDS. I left it with the manager of the apartment himself and told him any time a person identified himself from the Carpenters Union they would be entitled to——

Senator CLARK. Mr. Reynolds, who was the contact through whom you got the Carpenters Union account?

Mr. REYNOLDS. The contact? Well, first of all, I was informed by USF&G that they were moving from Indianapolis to Washington, and that I should try to make an effort to find someone who would introduce me to some members of the executive board, and I checked around Washington and I don't remember with whom I spoke, and I found a man by the name of Bill Blaier, who resided in Washington and who was on the executive board.

So, I contacted Mr. Blaier, and it must have been 2 or 3 months from time to time that I saw him and talked with him. He invited me to go to Indianapolis and talk with the general officers there, and I did, and I think on one occasion before I went to Indianapolis I think I met some officers down in the Washington Hotel, sir, one evening.

Mr. Blaier is now deceased, but he was the second or first general vice president of the Carpenters Interstate.

Senator CLARK. It seems to me the witness is reluctant to give us the names of anybody in the Carpenters Union and don't know that it is relevant but I won't pursue it but I would like that noted for the record.

Mr. McLENDON. I asked him that question when he was interviewed and he gave me the same answer he has given now.

Senator CLARK. I am sure he could tell us if he wanted to but I don't know whether it is relevant.

Mr. McLENDON. Let me ask you again, Mr. Reynolds, are you sure that Bobby Baker didn't have something to do with this union insurance?

Mr. REYNOLDS. 1,000 percent, sir.

Mr. McLENDON. Sir?

Mr. REYNOLDS. To the best of my knowledge, sir, Bobby had nothing to do with it.

Mr. McLENDON. Do you know whether he was related to any of the individuals connected with the company, the top management of the union? You do not?

Mr. REYNOLDS. Not to my knowledge, sir.

Mr. McLENDON. Were you ever at a meeting with them at which Baker was present?

Mr. REYNOLDS. No, sir.

Senator CLARK. Or any other employee of Congress or the Senate, Mr. Peek, for example?

Mr. REYNOLDS. No, sir. Sir, I developed this myself through the help of the Home——

Mr. McLENDON. You said that. I just wanted to be sure that the committee understood it. Now, for the last time I will ask you are you able to give us the name of any individual that the committee could contact who would testify that he used this apartment?

Mr. REYNOLDS. I do not know of any named individual, sir.

Mr. McLENDON. Now, in 1956 or early 1957 did Baker advise you that Senator L. B. Johnson was in the market to buy life insurance if he could find it?

Mr. REYNOLDS. 1956 or 1957; yes, sir.

Mr. McLENDON. You knew that the Senator had suffered a heart attack prior to that time?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. And you were representing the Manhattan Life Insurance Co., were you not?

Mr. REYNOLDS. Among others.

Mr. McLENDON. Among others. The Manhattan at that time had in Washington, did it not, a specialist whose name is George B. Sampson, who is known as a specialist in life insurance problems, I believe, is the language you insurance people use?

Mr. REYNOLDS Hazardous risk, sir.

Mr. McLENDON. Hazardous risk?

Mr. REYNOLDS. Right, sir.

Mr. McLENDON. What individual did you speak to with reference to the possibility of selling insurance to Senator Johnson after Baker told you that the Senator was in the market?

Mr. REYNOLDS. He introduced me first of all to Mr. Walter Jenkins, that is, Bobby arranged for an appointment for me to go to see Mr. Jenkins.

Mr. McLENDON. And you saw him as a result of the appointment made by Baker?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Did Jenkins confirm that the Senator was in the market to purchase life insurance?

Mr. REYNOLDS. He would like for me to see what could be done, sir.

Mr. McLENDON. Did he tell you or did you learn from any other source that efforts were being made to get a number of life insurance companies to write insurance for him, or to put it a different way, were efforts being made to find one or a number of companies who might write the insurance under the circumstances?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Do you remember about how many companies were involved?

Mr. REYNOLDS. I personally contacted three, sir.

Mr. McLENDON. Three?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. After you confirmed through Mr. Jenkins that the Senator wanted to buy insurance, did you then take it up with Mr. Sampson?

Mr. REYNOLDS. I did, sir.

Mr. McLENDON. And what, if anything, did Mr. Sampson have to do with it?

Mr. REYNOLDS. Mr. Sampson is a general agent, sir, for the Manhattan Life, and he is charged with the administrative responsibility of processing all applications which any agent brings to him, and this includes the medical requirements as well as the additional information brought in, sir.

Mr. McLENDON. To shorten your examination, my record notes show that in February 1957, your company, the Manhattan, did issue a policy for $50,000 insuring the Senator's life, is that right?

Mr. REYNOLDS. This is correct approximately. I don't remember the exact figure.

Mr. McLENDON. You handled it as agent?

Mr. REYNOLDS. I did, sir; soliciting agent.

Mr. McLENDON. With the help of Mr. Sampson?

Mr. REYNOLDS. Who was general agent, yes, sir.

Mr. McLENDON. Shortly thereafter the same company issued a second policy for $50,000?

Mr. REYNOLDS. That is right, sir.

Mr. McLENDON. Do you remember what explanation there was for the second policy?

Mr. REYNOLDS. The Manhattan first of all informed me that they had only retained $50,000 coverage themselves, and they would make no commitment for the second $50,000 until they had general reinsurance through the general reinsurance field.

Mr. McLENDON. And to shorten it they obtained reinsurance and then issued the second policy?

Mr. REYNOLDS. This is correct.

Mr. McLENDON. Were both of those policies payable to the LBJ Co.?

Mr. REYNOLDS. May I look, sir?

Mr. McLENDON. Yes, of course.

Mr. REYNOLDS. The applicant was Claudia Johnson, chairman of the board of LBJ and the beneficiary was LBJ Co., sir.

Mr. McLENDON. Both policies?

Mr. REYNOLDS. Yes.

Senator CLARK. The policies were on the life of Lyndon B. Johnson?

Mr. REYNOLDS. Of Lyndon B. Johnson, yes, sir.

Mr. McLENDON. Most of these policies were written on what is known as a high rate or advanced rate above the normal rate?

Mr. REYNOLDS. Hazardous rate.

Mr. McLENDON. Hazard?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. And the first annual premium on the $50,000 was approximately $6,079, was it not?

Mr. REYNOLDS. This is correct, sir.

Mr. McLENDON. And then after 2 years the premium would decline?

Mr. REYNOLDS. That is right, sir.

Mr. McLENDON. With experience?

Mr. REYNOLDS. Right, sir.

Mr. McLENDON. Your commission was 55 percent of the first year's premium?

Mr. REYNOLDS. Not of the whole total, no, sir.

Mr. McLENDON. I beg your pardon?

Mr. REYNOLDS. No, sir; may I explain this?

Mr. McLENDON. Yes, sir.

Mr. REYNOLDS. On any risk that is above H, which is A, B, C, D, E, F, G, H, the $50 per thousand per year special hazard rate, no commissions were paid.

Mr. McLENDON. So you obtained 55 percent commission up to that point?

Mr. REYNOLDS. Up to the H, but that knocked off $5,000 of the commission for each of the first 2 years, for example, which you would have been paid commission on.

Mr. McLENDON. All right. Then after that you were entitled to a commission of 5 percent on the annual premium for 9 years?

Mr. REYNOLDS. For the renewal, sir.

Mr. McLENDON. Now, later in May 1961, did Mr. Johnson or someone on his behalf make application to the company for an additional $100,000 just before he left on a trip to Africa?

Mr. REYNOLDS. Yes; or someplace.

Mr. McLENDON. Did you handle that or was that handled through Mr. Sampson?

Mr. REYNOLDS. The initial inquiry was probably made to Mr. Sampson and he contacted me, sir.

Mr. McLENDON. Was that also written on a high rate?

Mr. REYNOLDS. Yes, sir; but it is written in a class H, as in Henry, but it was annual renewable term which means each year it would be renewed, sir, or it could be converted to any permanent-type policy as long as the premium was greater than the rate of the renewal term.

Mr. McLENDON. Who were the beneficiaries in this $100,000 policy in May 1961?

Mr. REYNOLDS. Children of this marriage equally or their survivors.

Mr. McLENDON. Were the beneficiaries later changed?

Mr. REYNOLDS. Mr. Sampson told me they were subsequently changed, I believe, to meet some other requirement but I don't know what they are, sir.

Mr. McLENDON. You do not know who the new beneficiary was?

Mr. REYNOLDS. No, sir; I don't.

Mr. McLENDON. You don't know that it is the LBJ Co.?

Mr. REYNOLDS. I do not.

Mr. McLENDON. You do not know that?

Senator SCOTT. What was the amount of cash you received for your commissions?

Mr. REYNOLDS. We are talking about two separate policies, Senator.

Senator SCOTT. Yes; total. Just break it down and tell us.

Mr. REYNOLDS. Let's see, the total of the total $200,000 was approximately $5,000.

Senator SCOTT. Commissions to you?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. That is the first annual commission?

Mr. REYNOLDS. On both policies, sir.

Mr. McLendon. And then the second year it would be 5 percent?

Mr. Reynolds. Five percent, sir.

Mr. McLendon. Of the premium?

Mr. Reynolds. Right, sir.

Mr. McLendon. Now, sometime after you had written or about the time that you were writing this insurance, was your attention called to the fact that a man named Huff Baines, who had been trying to write his insurance for the Senator had made a bid or procured a bid from some insurance company which was a bit more favorable than yours, and involved the purchase of advertising time on a television station? Do you remember that?

Mr. Reynolds. I don't remember whether it was more favorable, sir. As a matter of fact, I doubt it. It wouldn't be more favorable.

Mr. McLendon. Was it comparable?

Mr. Reynolds. Yes; it was comparable.

Mr. McLendon. Now, the objection of the purchase of the advertising was something new. You had never had that pointed out to you before, had you?

Mr. Reynolds. No, sir.

Mr. McLendon. Did you agree to meet that competition and purchase the advertising?

Mr. Reynolds. I made the statement consistent with having the privilege of writing the insurance for the then Vice President, I guess, it was at that time, in 1961, that I would do my best to purchase comparable advertising time either directly for me or through someone I knew who would not purchase if he had not known——

Mr. McLendon. Did you buy advertising?

Mr. Reynolds. Yes, sir.

Mr. McLendon. At the cost of about $1,208?

Mr. Reynolds. Yes, sir.

Mr. McLendon. Did you sell it to someone else?

Mr. Reynolds. I purchased it for the name of the Mid-Atlantic Stainless Steel Corp., sir.

Mr. McLendon. And how much, if any, did you recoup from the expenditure?

Mr. Reynolds. To the best of my recollection, my records, and I have contacted Mid-Atlantic, around $160.

Senator Scott. Major, did he say how much he paid?

Mr. McLendon. $1,208.

Mr. Reynolds. There is one for $208, sir, and a check for $1,000 according to my——

Senator Clark. Do I understand from your testimony then that you were out-of-pocket about $1,100 on the deal?

Mr. Reynolds. Yes, sir.

Senator Clark. Did you ever use the advertising?

Mr. Reynolds. Oh, yes, sir. I would like to explain how I did that, sir.

Senator Clark. If I understand it correctly you paid $1,208 or $1,208-odd for this advertising, sold your rights for $100, is that right?

Mr. Reynolds. I sold them on a participation basis in case the advertising proved fruitful, sir, that we would share, and I could recover up to the maximum I had spent for the advertising.

Senator Clark. What advertising was used for that money?

Mr. REYNOLDS. Pots and pans of the Mid-Atlantic Stainless Steel Corp. on television.

Senator CLARK. But that was of no interest to you, was it?

Mr. REYNOLDS. Yes, sir; Mr. Young—I had arranged for it on a participation basis.

Senator CLARK. I can't figure it out.

Senator SCOTT. He is subcontracting his time to someone else and if he is successful, he gets his money back.

(Discussion off the record.)

Mr. REYNOLDS. The people in Austin objected to the fact that it took up the whole time showing pots and pans, sir, and no one bought from him.

Senator CLARK. I don't understand.

Mr. MCLENDON. Let me show you, here, your check payable to KTBC, it looks like.

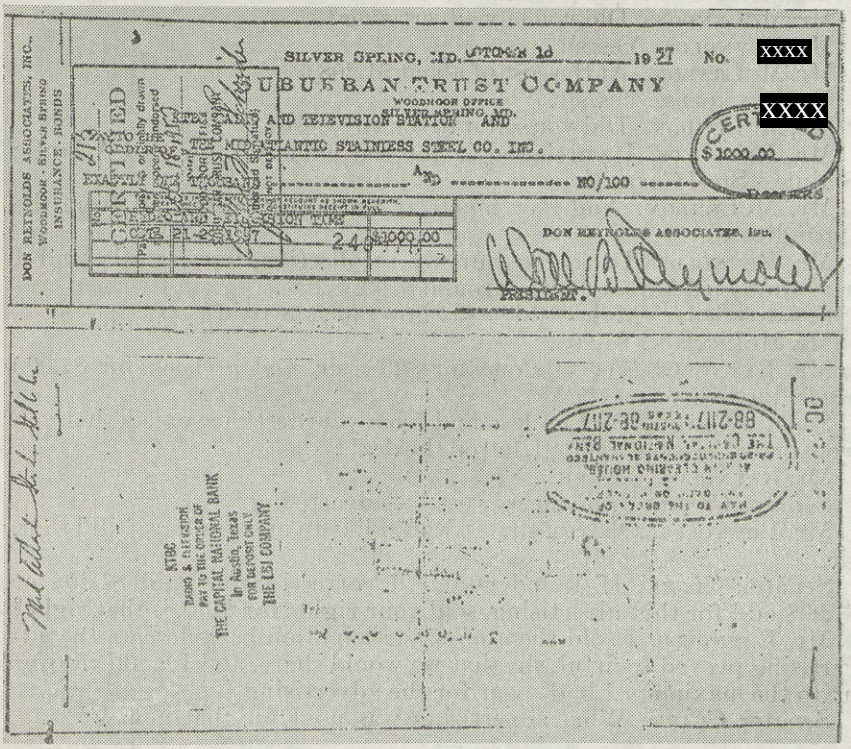
Mr. REYNOLDS. KTBC, I believe.

Mr. MCLENDON. KTBC television station, and the Mid-Atlantic Stainless Steel Co. dated October 1, 1957, for $1,000. I ask you if that is the check that you gave to the stainless steel company which they in turn used to pay the television station?

Mr. REYNOLDS. That was the deposit that was carried to Austin by Mr. Young, Mid-Atlantic, sir.

Mr. MCLENDON. Mark that.

(The document referred to was marked "Reynolds Exhibit 7" and is as follows:)



REYNOLDS EXHIBIT 7

Mr. McLENDON. The final result of this transaction was that you got back about $100?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Is that right?

Mr. REYNOLDS. Yes, sir; $160, I think.

Senator CLARK. So you were out-of-pocket around $1,100?

Mr. REYNOLDS. Right, sir.

Mr. McLENDON. Now at some time near the time that we are talking about now, did Mr. Baker suggest to you that he thought it would be appropriate or desirable or advisable or did he use any other language indicating that you ought to give a high-fi set to Senator Johnson who was then Vice President?

Mr. REYNOLDS. Stereo set, yes, sir.

Mr. McLENDON. A stereo set. Did you do that?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Did you buy it from the Magnavox Co.?

Mr. REYNOLDS. Magnavox Co., yes, sir.

Mr. McLENDON. And did you have it installed in Mr. Johnson's home in Washington?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Did you pay for that, too?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. I show you two checks here, one payable to Magnavox Co., dated July 6, 1959, for $542.25, and one July 20, 1959, for $42.50, together with an invoice for the installation charge and an invoice for the cost of the stereo set and ask you to look at them and state whether those documents came out of your file.

I made a mistake there in asking the question. This was in 1959.

Mr. REYNOLDS. Right.

Mr. McLENDON. Senator Johnson was still Senator.

Mr. REYNOLDS. That is right, sir. It was 1961 that he took the office.

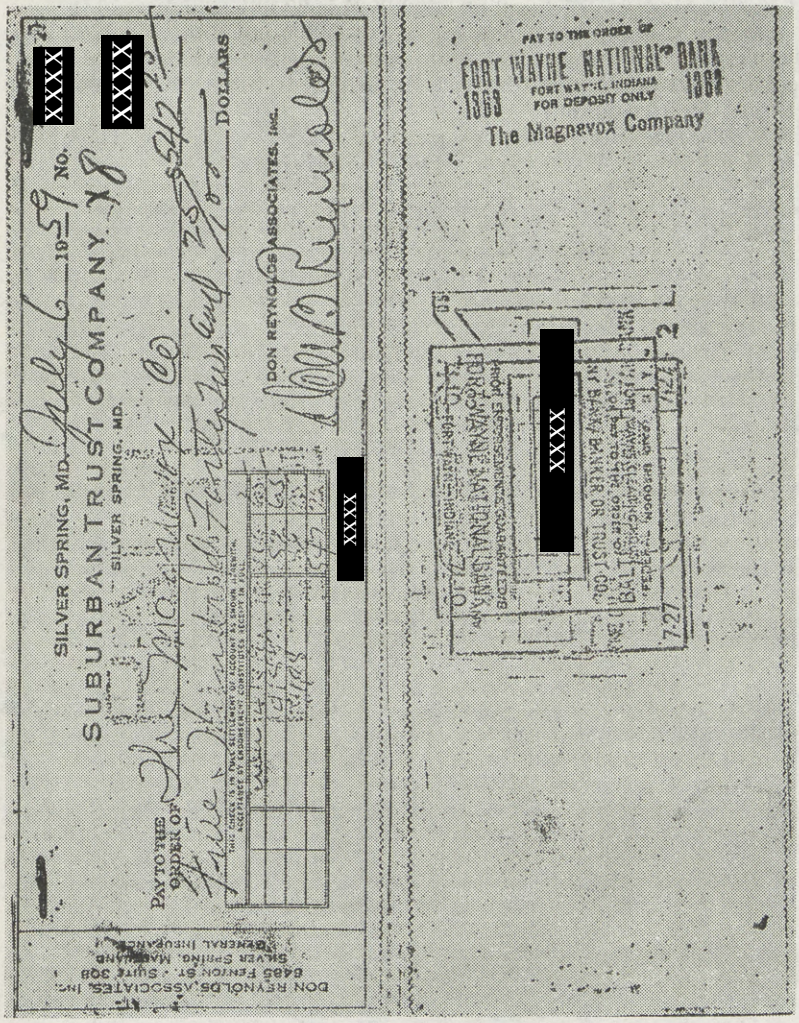
Mr. McLENDON. Yes.

Senator SCOTT. I don't think he answered the question whether it was at the suggestion of Baker or Jenkins.

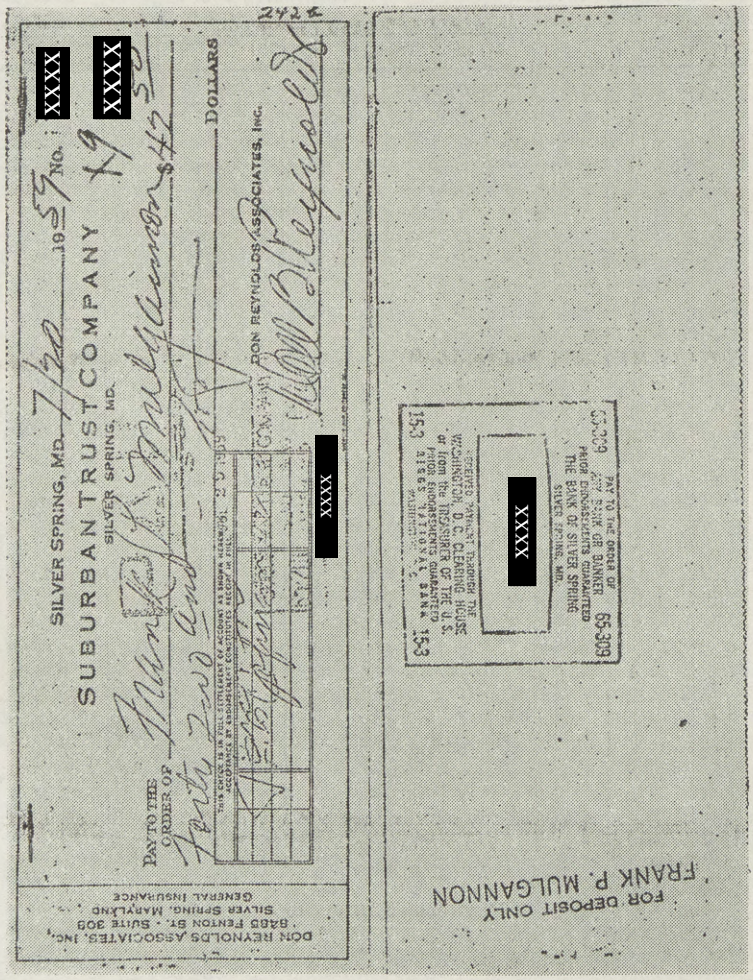
Mr. McLENDON. He said Baker, I think. I will clarify that.

Mark those in the order, Mr. Reporter.

(The documents referred to were marked "Reynolds Exhibits 8, 9, 10, and 11," and are as follows:)



REYNOLDS EXHIBIT 8



REYNOLDS EXHIBIT 9

DUPLICATE INVOICE

The Magnavox Company

Fort Wayne, Indiana
U. S. A.

INVOICE NUMBER 51330 PAGE 1

SOLD TO MR DON REYNOLDS
8484 FENTON ST
SILVER SPRING MD

SHIP TO SEN LYNDON B JOHNSON
4921 30TH PLACE N W
WASHINGTON D C

6-05-59

SHIPPED VIA	DATE SHIPPED	TERMS	T. O.	CUST. ORD. NO.	TERR.	CUST. CODE	MX ORD. NO.
		NET	06-049		710	6666-72	4189

LINE ITEM	PEL. LOC.	QUANTITY	DESCRIPTION MODEL	FINISH	NAME		PACK. OST NUMBER	UNIT PRICE	EXTENSION
2	2G	1	S 44	CHER		6/05	753	82.65	82.65
		1							82.6

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 charged herein are not in excess of the maximum ceiling prices established under applicable regulations issued pursuant to the Defense Production Act of 1950, or any other applicable law, order or regulation.

REYNOLDS EXHIBIT 10

DUPLICATE INVOICE

The Magnavox Company

Fort Wayne, Indiana

U. S. A.

INVOICE NUMBER 55496 PAGE 1

BILL TO: DON REYNOLDS
8484 FENTON ST
SILVER SPRINGS MD

SHIP TO: SEN LYNDON JOHNSON
4921 30TH PLACE N W
WASHINGTON D C

6-26-59

SHIPPED VIA	DATE SHIPPED	TERMS	T. O.	CUST. ORD. NO.	YEAR	CUST. CODE	MX ORD
		NET					

LINE ITEM	REL. LOC	QUANTITY	DESCRIPTION			PACK. LIST	UNIT	EXTENSION
			IS MODEL	NUMBER	NAME	6/25	382.50	382.
		1						382.

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 1 of the Fair Labor Standards Act of 1938, as amended.
The seller warrants that the prices charged herein are not in excess of the maximum ceiling prices established under applicable regulations issued pursu to the Defense Production Act of 1950, or any other applicable law, order or regulation.

REYNOLDS EXHIBIT 11

Mr. McLENDON. I am not sure you answered my question. Let me ask you again. Was this stereo set bought by you and delivered to Mr. Johnson's house at the suggestion of Baker?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Did you have any communication whatever with the Senator about it?

Mr. REYNOLDS. No, sir.

Mr. McLENDON. Either before or after you sent it to him?

Mr. REYNOLDS. No, sir.

Mr. McLENDON. At or about the time did you also buy one for Baker?

Mr. REYNOLDS. I think it was previous to this time, sir. I am not sure. I might have paid for it about the same time.

Senator SCOTT. Did you have any communication with Mr. Jenkins about it?

Mr. REYNOLDS. Not about the stereo, sir.

Senator SCOTT. What was your conversation with Mr. Jenkins?

Mr. REYNOLDS. About the advertising, sir.

Senator SCOTT. To which you have testified?

Mr. REYNOLDS. Right.

Mr. McLENDON. Now, I show you a check dated May 20, 1959, which would be a little earlier than the one you had there, I believe, isn't it?

Mr. REYNOLDS. Right, this is June or July.

Mr. McLENDON. Payable also to the Magnavox Co. for $588 and ask you if that is the check with which you paid for the stereo set that you presented to Baker?

Mr. REYNOLDS. Yes, sir.

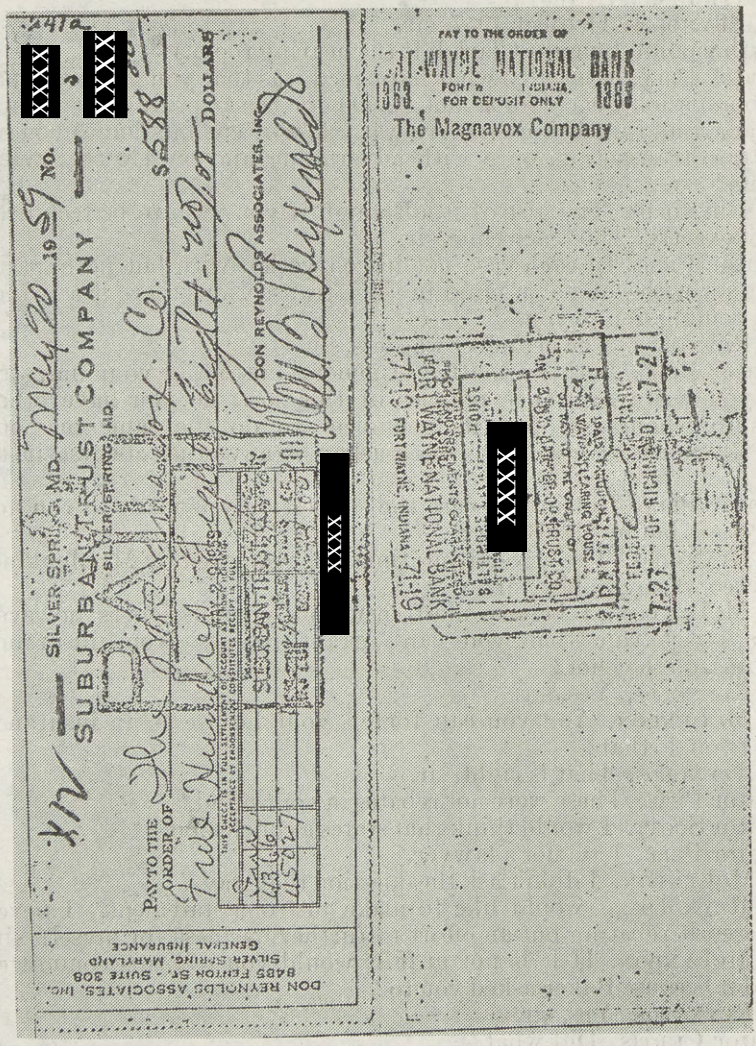
Mr. McLENDON. Was that installed in his home here in Washington?

Mr. REYNOLDS. It was.

Mr. McLENDON. At your expense?

Mr. REYNOLDS. Yes, sir.

(The documents referred to was marked "Reynolds Exhibit 12" and is as follows:)



REYNOLDS EXHIBIT 12

Senator PELL. Just going back for a moment, what was the date of the advertising fiasco? That was what year?

Mr. REYNOLDS. It was the date, sir, that I gave this first check for $1,000.

Mr. MCLENDON. On that thousand dollar check there?

Mr. REYNOLDS. Yes, sir.

Senator PELL. In 1957?

Mr. REYNOLDS. October 1957, sir.

(At this point, Senator Clark left the hearing room.)

Senator PELL. Basically what happened was that you got two separate commissions, each for about $2,500 for the two different sales 4 years apart and in each case there was a loss of commission to you by a separate transaction, once with advertising and once with buying hi-fi sets?

Mr. REYNOLDS. The gist of it, although if you wish to be technical it is not exactly $2,500 each time, sir.

Senator PELL. In each case not in connection with but perhaps in connection with your own mind in these transactions there is a reduction in commission to you.

Mr. REYNOLDS. The net effect was less, sir.

Senator PELL. Is this a matter of general custom in your industry when you write insurance policies of this sort, do you have other clients to whom you feel it incumbent to do the same or not?

Mr. REYNOLDS. I have never been asked by any other clients, sir, to do so.

Senator PELL. But in this case the suggestion was made to you not by the client but by Mr. Baker?

Mr. REYNOLDS. The advertising time was requested by Mr. Jenkins. The stereo was by Bobby, sir.

Mr. MCLENDON. I believe most insurance commissioners however have a strict rule that you can't grant rebates from insurance premiums, do they not?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. And you can forfeit your license as an insurance agent if you do that?

Mr. REYNOLDS. That is right, sir.

Senator PELL. These were not rebates in your mind?

Senator SCOTT. I would think that states a conclusion.

Senator PELL. I am not a lawyer.

Mr. MCLENDON. I didn't ask the question that way.

Mr. REYNOLDS. I would like to make just one statement. I never considered it rebating but an effort to further business for myself, sir.

Mr. MCLENDON. If it is not unfair, would you tell this committee you did it because Baker asked you to?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Did what?

Mr. MCLENDON. Give the hi-fi set to the Senator, and also one to Baker.

The CHAIRMAN. May I ask a question at that point? Didn't the insurance amount to a total of $200,000?

Mr. REYNOLDS. That is right, sir.

The CHAIRMAN. Don't you actually receives 5 percent for 9 years, 5 percent of the premium for 9 years after your original premium that you get for the sale?

Mr. REYNOLDS. For the renewal, sir.

The CHAIRMAN. For the renewal, yes. That is every year?

Mr. REYNOLDS. Each year, but, sir, when we converted the renewal term in 1963 for the then Vice President, sir, it was converted retroactively back to 1961, and they gave me the full benefit of all that he had paid as if he had purchased a permanent life insurance policy retroactively. The company did, I did not, sir.

The CHAIRMAN. I understand that.

Mr. REYNOLDS. So the net effect, I lost the 5 percent in the shuffle.

Mr. MCLENDON. Not all of it, did you?

Mr. REYNOLDS. I didn't lose it on the basic amount, sir, but on the additional amount I did.

Mr. MCLENDON. Yes, on the additional amount only. You still collected 5 percent on some part of the premium?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. I am not sure it is clear, though I don't know it has much to do with it, but this $100,000 policy which was originally issued as a term policy was later by the company at the request of the Senator converted into permanent insurance?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. Of course, that carried a different premium?

Mr. REYNOLDS. Yes, sir, that is right.

Mr. MCLENDON. It would be a higher premium, would it not?

Mr. REYNOLDS. Right, sir.

Mr. MCLENDON. And you would get 5 percent on the annual premium?

Mr. REYNOLDS. On the renewal part.

Mr. MCLENDON. On the renewal part of the premium?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. Okay. Now, Mr. Reynolds, I ask you and have you testified to all of the business transactions that you had with Baker or in which Baker had been instrumental in promoting? Can you think of any others that we haven't asked you about?

Mr. REYNOLDS. I do not recollect any others, sir.

Mr. MCLENDON. Now, did you file with the Office of the Commissioner of Internal Revenue on the 20th day of November 1963 a long affidavit in connection with your income tax returns, and for the purpose of explaining a series of payments of money that you had made to Baker?

Mr. REYNOLDS. I did, sir.

Mr. MCLENDON. I am not going to put this document in evidence at this moment. It is so long I haven't copied it but I want to have it identified and I want to read just one piece of it. Just identify that and see whether or not that is a copy of the affidavit that you filed.

Mr. REYNOLDS. It is.

Mr. McLENDON. Will you follow to see if I read this paragraph correctly:

Your affidavit—

that means you—

does further state that it was tacitly understood and agreed that in exchange for the continued effort of the said Robert G. Baker to introduce your affiant into circles which would lead to a substantial increase in his insurance business, both general insurance and life insurance, and in exchange for services rendered by said Robert G. Baker for the solicitation of general and life insurance business then and in the event of the success of such efforts, the aforesaid loans—

Referring to a list that is listed in the affidavit—

the aforesaid loans would not be repaid, that the foregoing description of notes and checks and the purposes therefor constitutes and is a summary of all business transactions between your affiant and/or Don Reynolds & Associates, a corporation, and Robert G. Baker to the best of your affiant's knowledge, information, and belief—

And signed by you before a notary public.

Mr. REYNOLDS. Right, sir.

Mr. McLENDON. I read it correctly?

Mr. REYNOLDS. Yes.

Mr. McLENDON. Now, I would like to show you a list of notes and ask you if you will identify this as being a correct list of the notes that you gave to Baker. Can you say that is a correct list, Mr. Reynolds?

Mr. REYNOLDS. I don't know who added it up, sir.

Mr. McLENDON. I added it up. You didn't add it up. That is the adding machine total at the bottom. That is my figure.

Mr. REYNOLDS. I am of the opinion that the total amount involved, sir, was a combination including notes and new notes and this may be incorrect, the total.

Mr. McLENDON. Let's forget about the total then. Some of it is——

Mr. REYNOLDS. This is a list of the documents, sir.

Mr. McLENDON. Just confine your anwser to the list of notes. Now, begin with the top one, note A for $4,000. Do you have the note that Baker gave you, a copy of it?

Mr. REYNOLDS. I have it here; yes, sir.

Mr. McLENDON. Take it out of there, please, and identify it. Is that a copy of the note that you are handing the reporter, for $4,000?

Mr. REYNOLDS. It is.

Mr. McLENDON. Dated October 15, 1960.

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. Mark that, Mr. Reporter.

(The documents referred to were marked "Reynolds Exhibit No. 13" and are as follows:)

NOTES ISSUED BY BAKER PAYABLE TO REYNOLDS

Mr. Reynolds stated that generally Mr. Baker insisted that payments to him or on his account be covered by notes. Mr. Reynolds stated further that Mr. Baker did not tell him why he insisted on such a procedure; Mr. Reynolds stated that most of such payments were considered by him as being for services rendered. Following is a description of the notes received from Baker:

	Amount	pg. of Wms. testi.
A. Note dated October 15, 1960, from Baker to Don B. Reynolds due in 6 months with 6 per cent interest. Mr. Reynolds stated that Baker insisted on giving this note at the time he was given the check described in item 7 above.	$4,000 (pd. by note C)	244a
B. Note dated December 15, 1960, from Baker to Don Reynolds and Associates due in 3 years with 6 percent interest. Mr. Reynolds stated that Mr. Baker wanted to have a note covering all payments made to him or his account to that date by the Corporation. Mr. Reynolds stated further that the note was made up of payments to Baker of $3,500 made to October 24, 1960, plus item #6 above ($150.10). It should be noted that payments shown above in items Nos. 1-7 total $5,973.10 of which $4,000 was covered by Note A, leaving a balance of $1,973.10 not covered by notes at October 24, 1960. Mr. Reynolds stated that he has been unable to reconcile the difference of $1,677 between Note B and the total of the checks listed in items Nos. 1-7 above, but that at the time, $3,500 was the amount mutually agreed as representing payments by the Corporation to October 24, 1960. Mr. Reynolds also stated that Baker said the reason he wanted to give this note was so that the Corporation could recover against his estate in the event that he died.	$3,650.10 (pd. by note F)	245b
C. Note dated December 15, 1960, from Baker to Don Reynolds and Associates due in 90 days with 6 percent interest. Mr. Reynolds stated that this note paid Note A ($4,000) and in addition covered check No. 1352 ($1,000) (see item 9).	$5,000 (pd by Note G)	245a
D. Note dated March 4, 1961, from Baker to Don Reynolds and Associates due in 3 years with 6 percent interest. Mr. Reynolds stated that Mr. Baker insisted in giving this note to cover check No. 1720 ($1,500) (See item 11).	$1,500	246a

REYNOLDS EXHIBIT 13

E. Note dated March 15, 1961 from Baker to Don Reynolds due in 270 days with 6 percent interest. Mr. Reynolds stated that this note paid Note C and in addition covered check No. 1325 ($1,000) (See item 8) and insurance premium ($140). $6,140 245b

F. Note dated October 15, 1963, from Baker to Don Reynolds and Associates due in 3 years with 6 percent interest. Mr. Reynolds stated that this note paid note B ($3,650.10) and that the additional amount ($1,113.90) was to cover all other payments to or on the account of Baker not otherwise covered by notes. Mr. Reynolds stated that Mr. Baker called the Corporation's accountant, Mr. Bud Hauft, and said that he wanted to "bring his indebtedness up to date." $4,764 246a

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

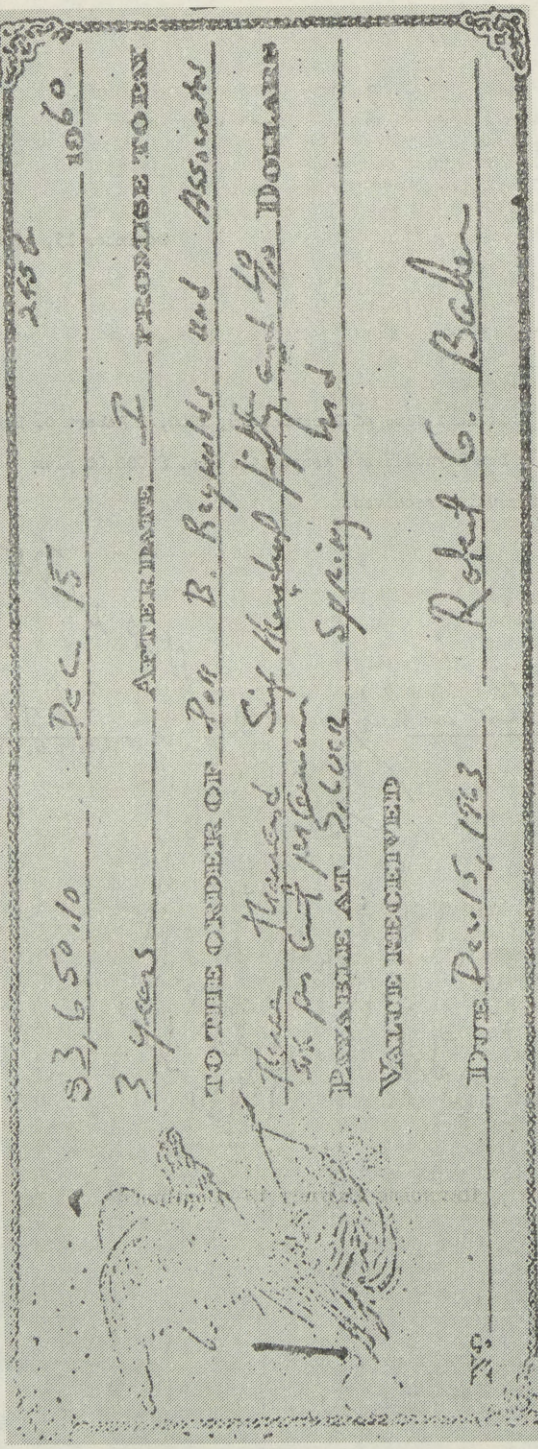
Washington Office - EXecutive 3-8145

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.

Witness: Signed

REYNOLDS EXHIBIT 13—Continued



REYNOLDS EXHIBIT 13—Continued

December 15, 1960

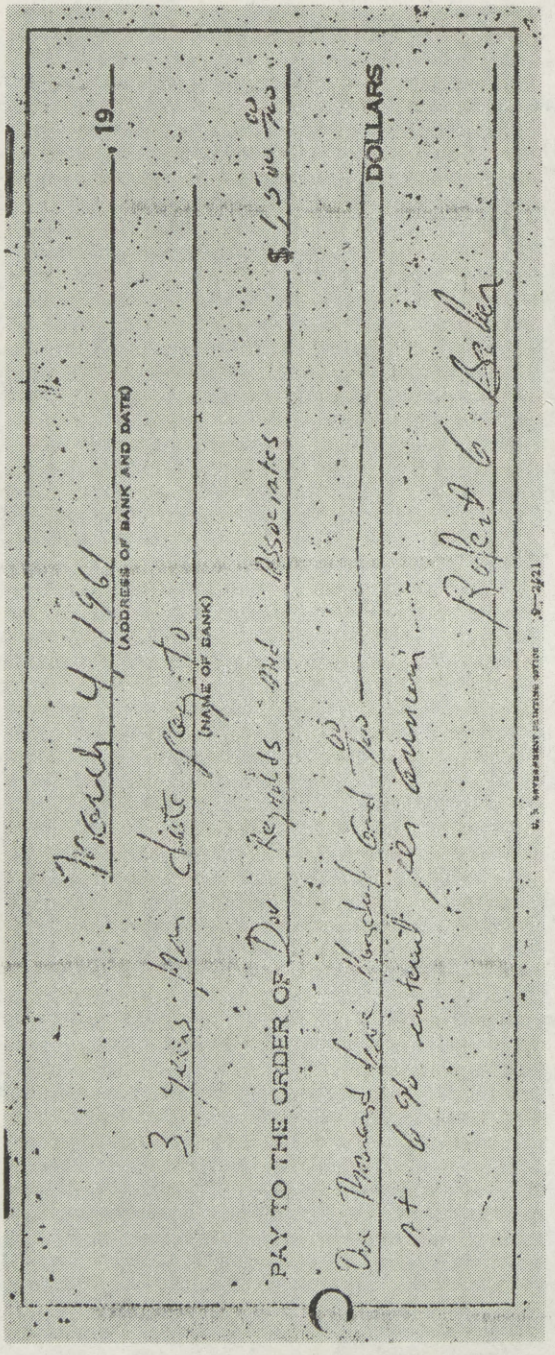
90 days from this said date of December 15, 1960, I Robert G. Baker promise to pay Don Reynolds and Associates Inc. $5000.00 plus 6% interest for value received.

Witness

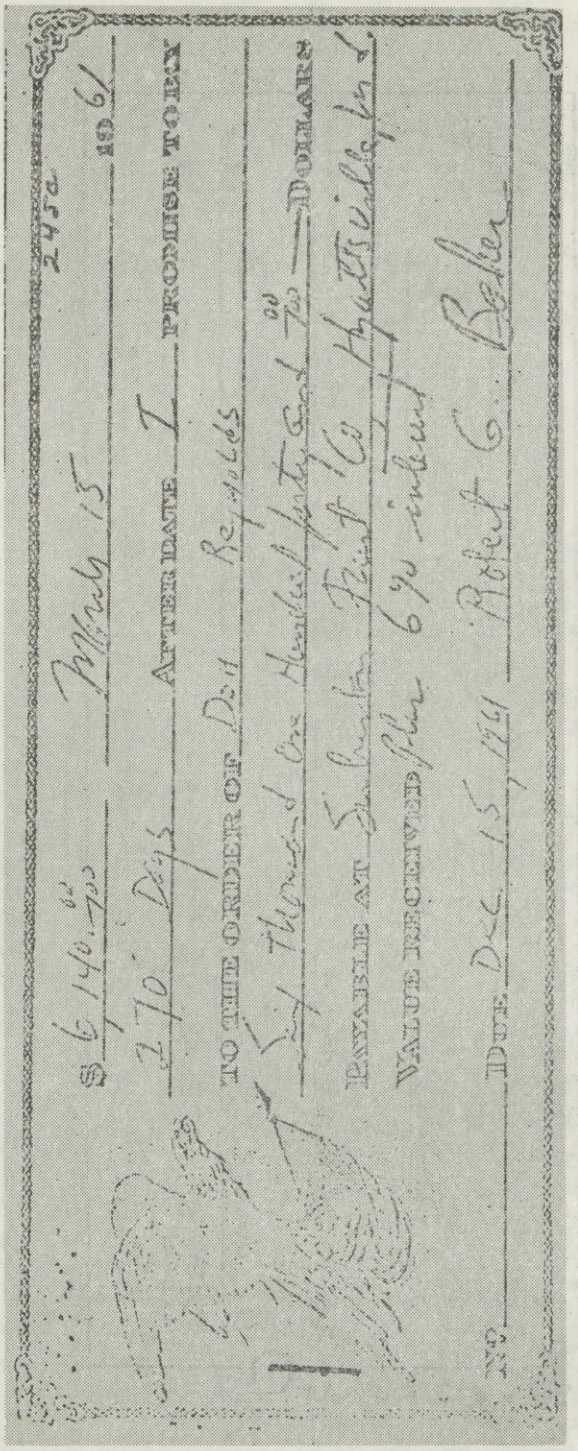
Robert G. Baker

Secured by new note plus interest
Dated March 15, 1961
W. H. Haupt
Sec'y Treas

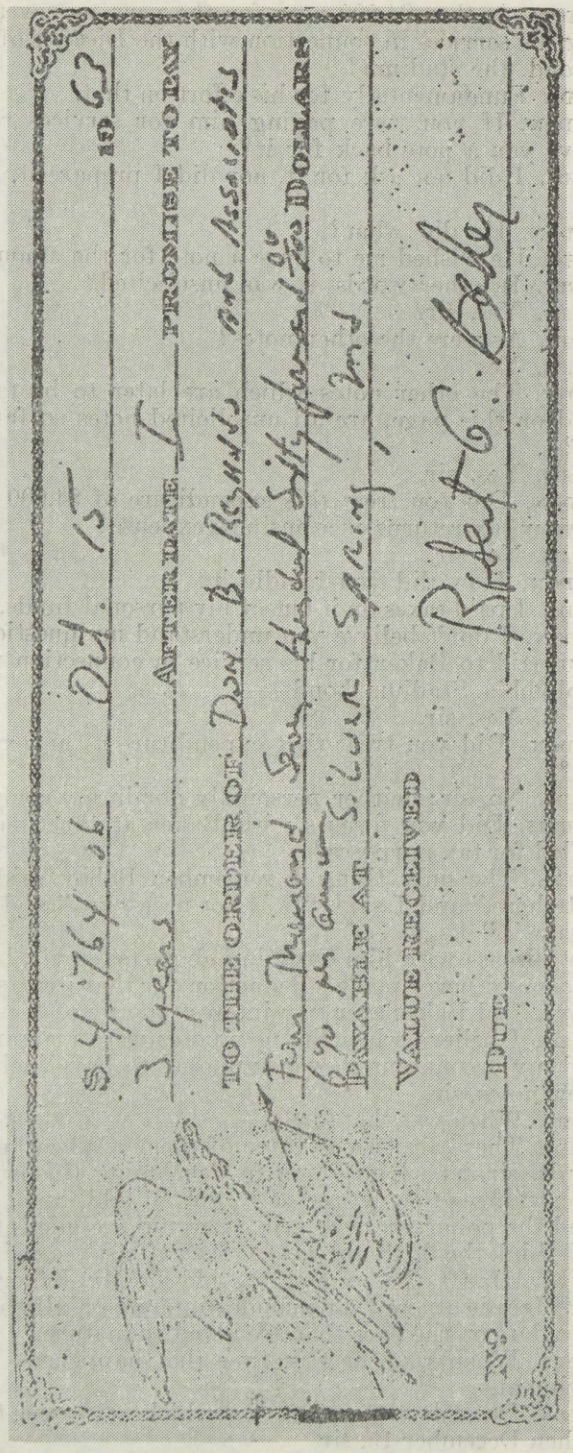
REYNOLDS EXHIBIT 13—Continued



REYNOLDS EXHIBIT 13—Continued



REYNOLDS EXHIBIT 13—Continued



REYNOLDS EXHIBIT 13—Continued

Mr. McLendon. Is that $4,000 note for the very money that you paid Baker for his services in connection with the District of Columbia, District bond, the stadium?

Mr. Reynolds. Fundamentally for his effort on that.

Mr. McLendon. If you were paying him for services rendered, why did he give you a note back for it?

Mr. Reynolds. I did not ask for it, nor did I prepare it, sir. He wished to.

Mr. McLendon. He did what?

Mr. Reynolds. He wished me to have a note for the amount.

Senator Scott. In other words, it was unsolicited?

Mr. Reynolds. Yes, sir.

Senator Scott. As were the other notes?

Mr. Reynolds. Yes.

Senator Scott. The other notes which are later to be taken up, but represented on this page, are all unsolicited notes so far as you are concerned?

Mr. Reynolds. Yes, sir.

Mr. McLendon. Did you treat this expenditure of $4,000 on your books and on your tax returns as a business expense?

Mr. Reynolds. No, sir.

Mr. McLendon. How did you handle it?

Mr. Reynolds. I paid taxes on it out of my personal funds, sir.

Mr. McLendon. I don't believe you understand my question. The $4,000 that you paid to Baker for his service in connection with the District of Columbia Stadium bond——

Mr. Reynolds. Yes, sir.

Mr. McLendon. Did you treat that expenditure as an expense in your company?

Mr. Reynolds. No, sir; neither personally nor in my company.

Senator Curtis. Did you discuss with Baker at the time how it would be handled for tax purposes?

Mr. Reynolds. The only thing I remember Bobby said to me, "Keep this note here," and I said, "It is not necessary," and he said, "You should have it."

So, I did not discuss with him anything about taxes, sir, because I paid on my gross and never made a deduction for that item, sir.

Senator Scott. Did Baker ever pay interest on any of these loans?

Mr. Reynolds. I believe when the new notes were rearranged between him and my accountant it was supposed to have included interest in the new notes, sir.

Senator Scott. When was that?

Mr. Reynolds. There are two or three of them. When he wanted additional funds, sir, as we go along in developing this with your permission, you will see that he raised it, got an additional amount. Then it reached the point where he said he would include interest on the notes, and I think the final one was October of last year, sir. I was not there, but Mr. Hauft, the accountant, told me Mr. Baker came to him and said, "Here is a note that includes interest on all the money I owe you up to date on the ones that are about to mature."

Senator Scott. When was the first time that happened? That is what I am getting at.

Mr. Reynolds. December 15, 1960, sir, which was—the first was October, and then December 15, sir.

Senator SCOTT. You had never asked him for interest?

Mr. REYNOLDS. No, sir.

Senator SCOTT. You had never regarded any of these transactions as loans yourself?

Mr. REYNOLDS. No, sir.

Senator SCOTT. You regarded them rather as payments for services or for expenses incurred; is that right?

Mr. REYNOLDS. Yes, sir.

Senator SCOTT. That is all.

Mr. MCLENDON. Except as the interest may have been included in some of the renewal notes, you never collected any interest?

Mr. REYNOLDS. That is right, sir.

The CHAIRMAN. Nor the principal, either?

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. Now, looking at the list, isn't it correct that the note for $4,000 was renewed by the note which is listed as "C" under paragraph C for $5,000, plus a check for $1,000?

Mr. REYNOLDS. My check to him for the $1,000, yes, sir.

Mr. MCLENDON. Do you remember what the $1,000 was for?

Mr. REYNOLDS. If I could have a copy of the check, I think maybe it might show that, sir.

Mr. MCLENDON. 1352. Have you got that?

Mr. VANKIRK. December 15, 1960.

Mr. MCLENDON. I show you check here of December 15, payable to Baker for $1,000. Look at that and see if that is the check referred to in item C?

Mr. REYNOLDS. It is, sir.

Mr. MCLENDON. Do you know what that was for?

Mr. REYNOLDS. Sir, it was no specific thing that he had done except that he needed the money, and he was consistently trying to better my insurance business, and since he needed it and I had it available I felt that I should let him have it.

The CHAIRMAN. As a loan or as a gift?

Senator SCOTT. Or as a payment?

The CHAIRMAN. Or as a payment?

Mr. REYNOLDS. Well, I never expected to be repaid directly in dollars for any of it from Bobby, sir, unless he could——

Mr. MCLENDON. For any what?

Mr. REYNOLDS. By dollars directly in repayment to me, sir.

Mr. MCLENDON. For any of these notes?

Mr. REYNOLDS. No, sir; unless he could do it by helping me develop my business.

Mr. MCLENDON. But Mr. Reynolds, that is not quite consistent with your affidavit, is it, because your affidavit said that you were going to pay him for services rendered when the business was consummated, and this stadium thing was consummated long ago, and you paid him very promptly after that.

Mr. REYNOLDS. Well, sir, Bobby was always in the earlier days needing money.

Mr. MCLENDON. Needing money?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. Well, we all do. Go ahead.

Mr. REYNOLDS. Unfortunately this is true, sir. But he would get himself into binds and he would come to me and ask could I help, and sometimes I could and sometimes I could not, sir.

Mr. MCLENDON. What I have difficulty in understanding, and I suspect that some members of the committee feel the same way I do, how two intelligent people doing business together as you have testified here at length, and you made an affidavit that you expected to pay this man for services rendered, and you paid him with a check drawn on your bank account, he gets the money and he turns right around and gives you a note for it which you take.

And now you say you never expected to collect the note.

Mr. REYNOLDS. That is right, sir, because I didn't consider it a note.

Mr. MCLENDON. Who were you fooling by this kind of arrangement?

Mr. REYNOLDS. I don't know, sir, because I never presented it to anyone or kept them on the record as collectible.

Senator SCOTT. You never intended to collect them, either?

Mr. REYNOLDS. No, sir.

Senator SCOTT. So you stand on the affidavit that you made that they were for services rendered?

Mr. REYNOLDS. Right, sir.

Senator CURTIS. Do I understand that you gave all the notes at Bobby's suggestion?

Mr. REYNOLDS. Not mine ever, sir.

Senator SCOTT. In fact, one time you said why do you give me a note?

Mr. REYNOLDS. I asked him, I said why do I want the note, because truthfully, sir, this is awful to say, but I didn't consider it of any value.

Mr. MCLENDON. The last note if you refer to the sheet there marked "F" was dated as recently as October 15, 1963, for $4,764 which included the renewal of the note marked "B" for $3,650.

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. And this last note, October 15, 1963, was after you knew that you had difficulties with Baker; was it not?

Mr. REYNOLDS. It was Mr. Baker's suggestion that he meet with my accountant and bring everything up to date, sir. I never saw Mr. Baker, nor did I discuss this with him. He and my accountant met each other, sir, and my accountant gave me the following information, that he met Mr. Baker and Mr. Baker said, "Here is a note that will bring everything up to date."

Mr. MCLENDON. So in substance you tell the committee that while you owed this man this money and paid him, you accepted notes for it?

Mr. REYNOLDS. Yes, sir; except I overpaid.

Mr. MCLENDON. You overpaid?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. And you still have the note and you never collected any interest?

Mr. REYNOLDS. That is right.

Mr. MCLENDON. Except what might have been included in the note?

Mr. REYNOLDS. Right, sir.

Mr. McLENDON. I won't take time to go through each one of these items of payments that you made. I believe you do have all the checks here; do you not?

Senator BYRD. Mr. Chairman, may I ask one question at this point?

The CHAIRMAN. Yes, certainly.

Senator BYRD. Counsel uses the words "except what might have been included in the note." Have you collected any interest whatsoever in terms of dollars and cents?

Mr. REYNOLDS. Mr. Baker gave me a check for, I think, $750 to pay insurance, and he called me at one point and wanted to know if he had paid me any interest and I said, "No, Bobby, it is to pay for your life insurance policies, the premium was approximately $750," because his handwriting was illegible in the portion showing, sir.

Senator BYRD. So you are saying that you never collected——

Mr. REYNOLDS. Any interest.

Senator BYRD. Any interest whatsoever?

Mr. REYNOLDS. That is right, sir.

Senator BYRD. Except on paper?

Mr. REYNOLDS. That is right, sir.

Senator PELL. Counsel, should we make a note that later on it would be interesting to see if Mr. Baker took the interests that were amalgamated into new notes as deductions.

Mr. McLENDON. Yes, sir; we will go into that. Before we leave this I want to ask this witness to identify a series of checks directly to Baker on his behalf, some are to pay insurance premiums owed by Baker.

Mr. REYNOLDS. To different companies, sir.

Mr. McLENDON. To different companies. Look at those and testify whether or not you issued all those checks.

Mr. REYNOLDS. With one exception, sir; it was paid on the Carousel, this note for $150.75 which was repaid.

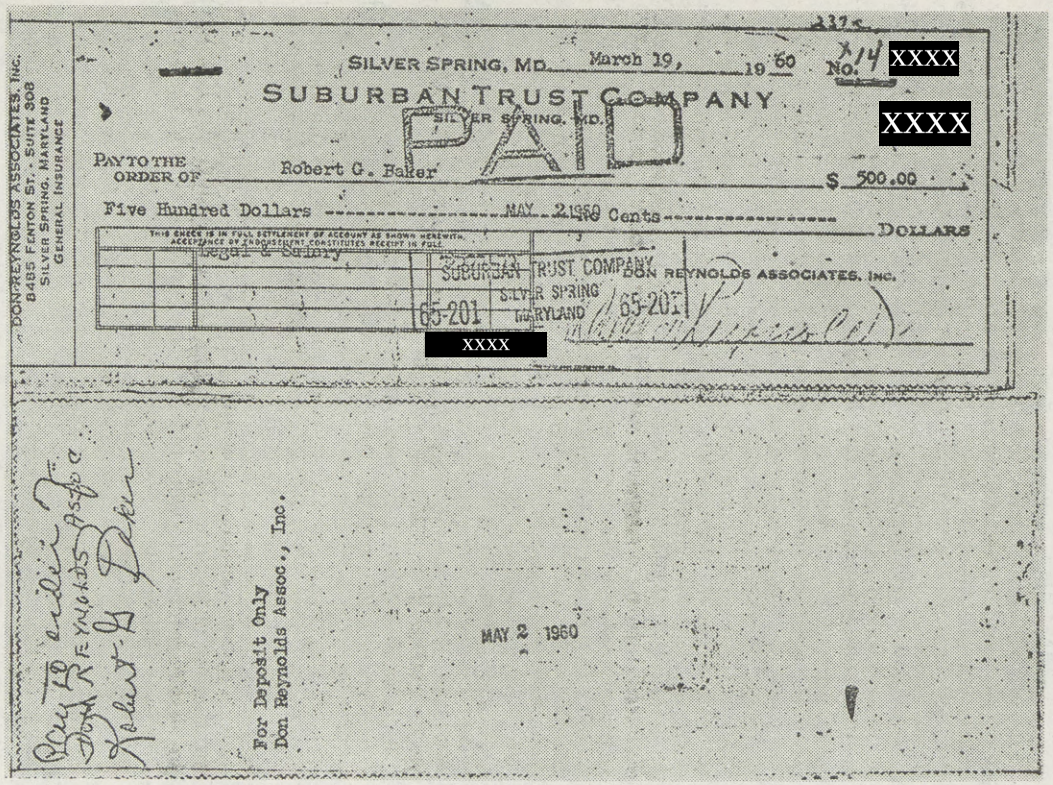
Mr. McLENDON. Just take that out, will you? That was repaid; wasn't it?

Mr. REYNOLDS. Yes, sir, in full. And the note here to the Equitable for the initial premium of Mr. Scott Peek, Mr. Peek paid me 100 percent back.

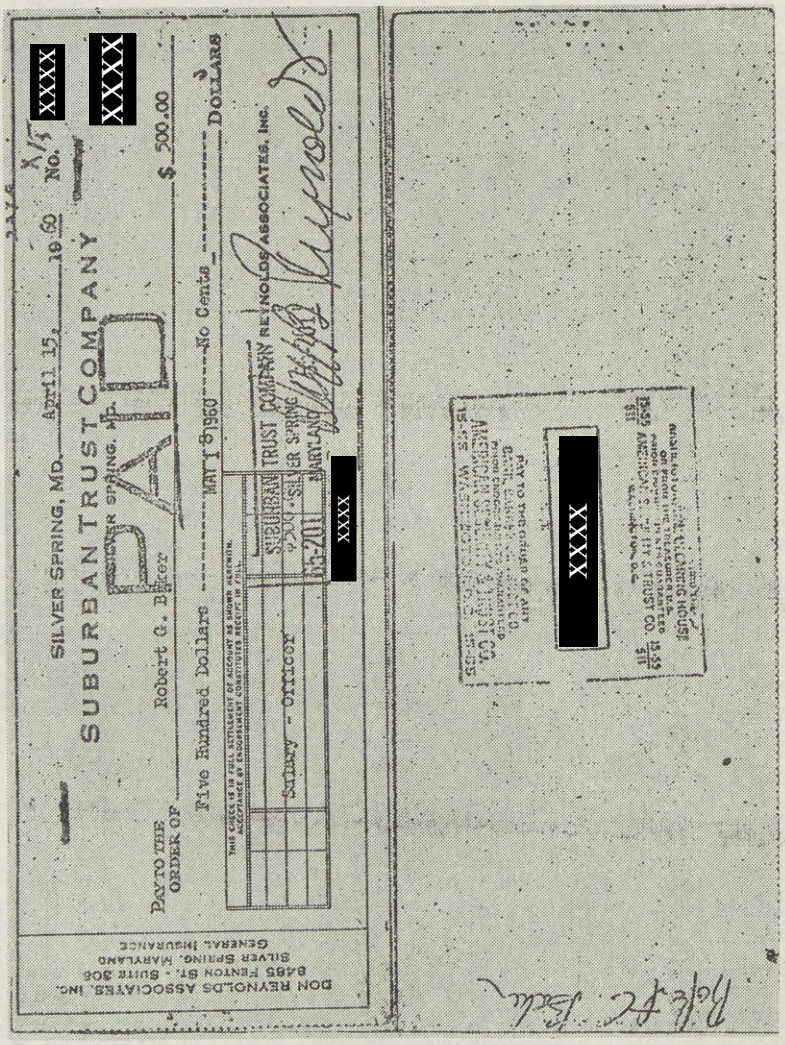
Mr. McLENDON. Let's take that out, too. These are authentic.

Hand them over to the reporter. Mark them in order, Mr. Reporter.

(The checks referred to were marked "Reynolds Exhibits 14 through 25" and are as follows:)



REYNOLDS EXHIBIT 14



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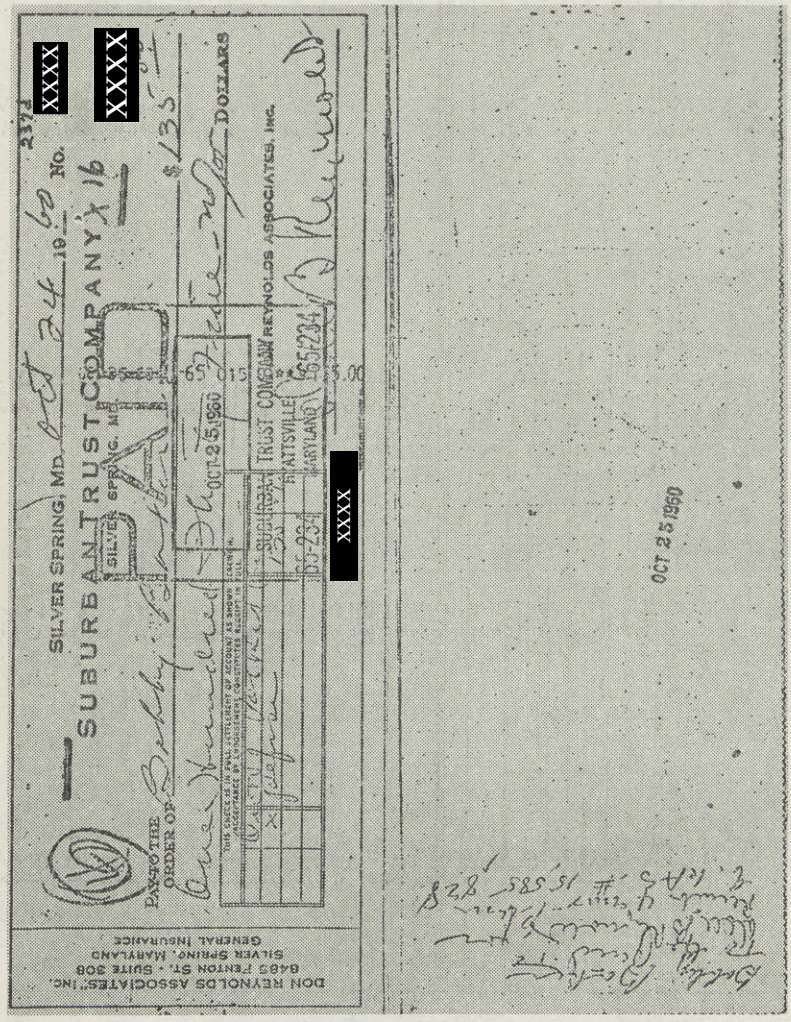
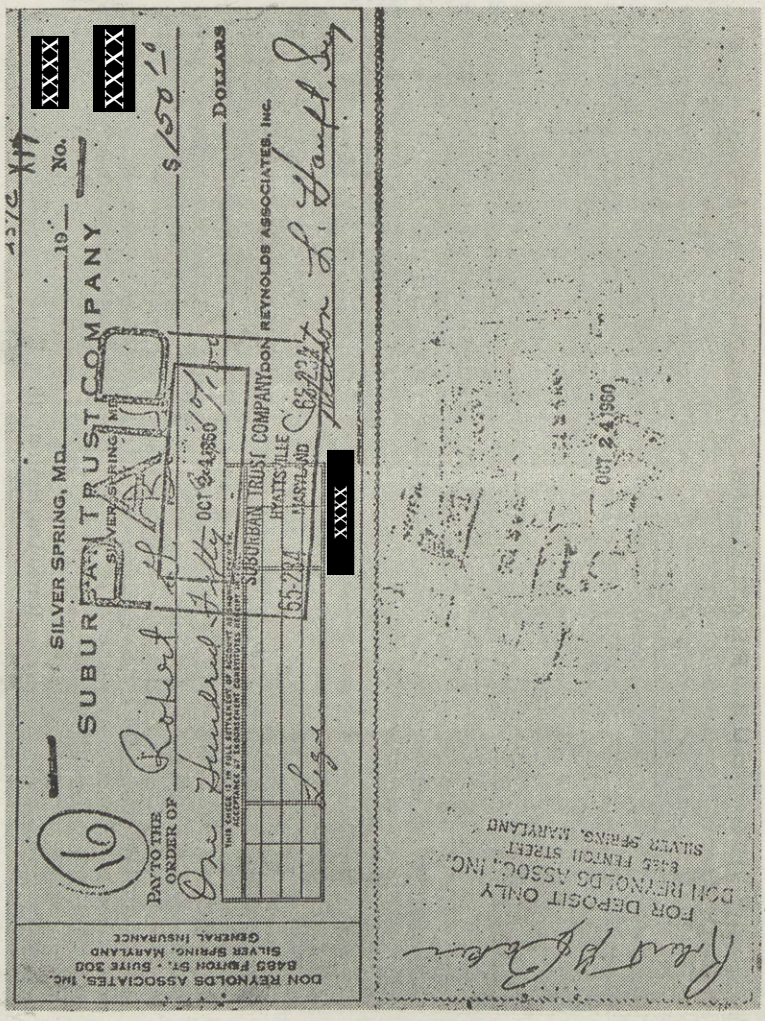
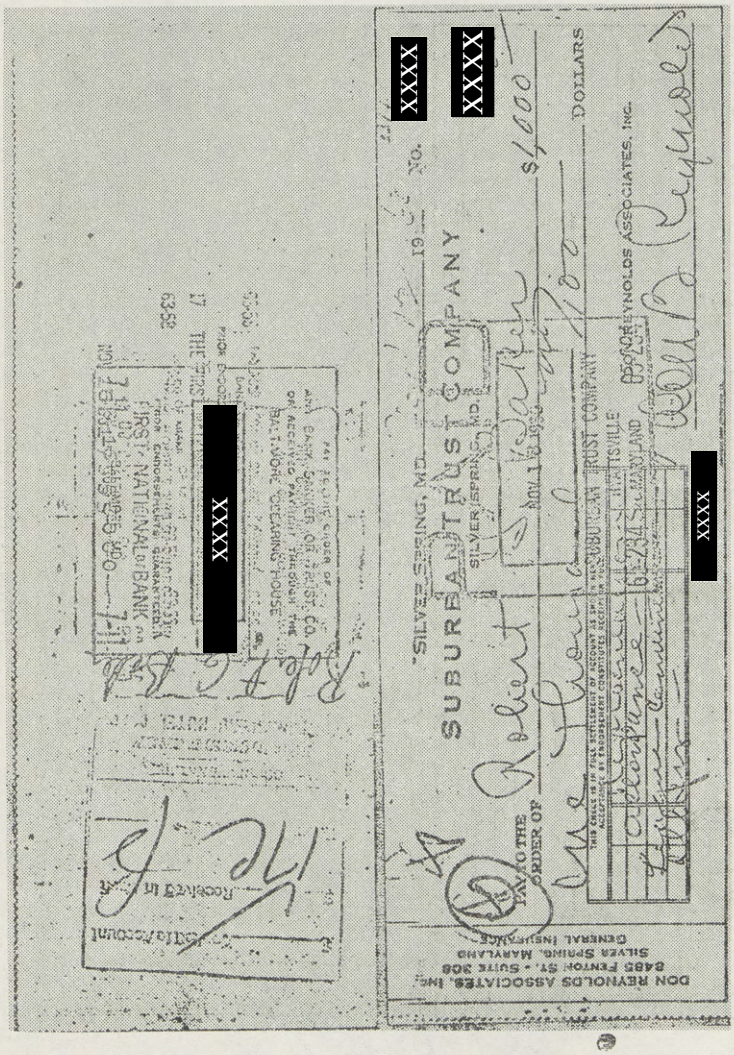


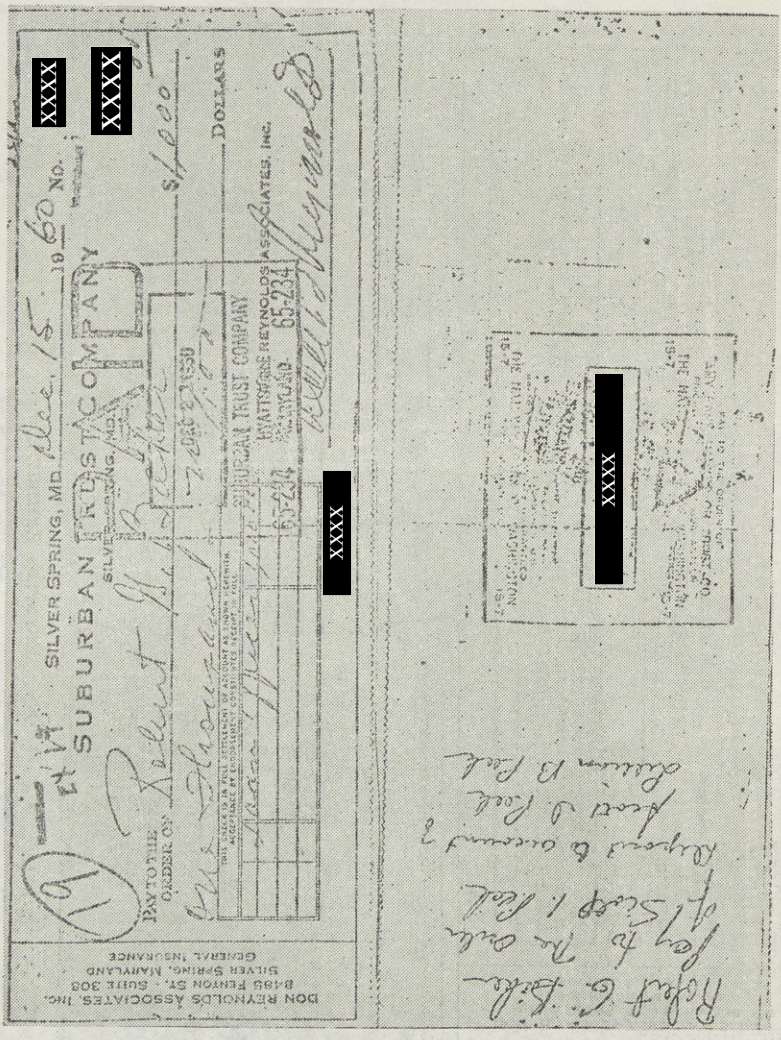
REYNOLDS EXHIBIT 16



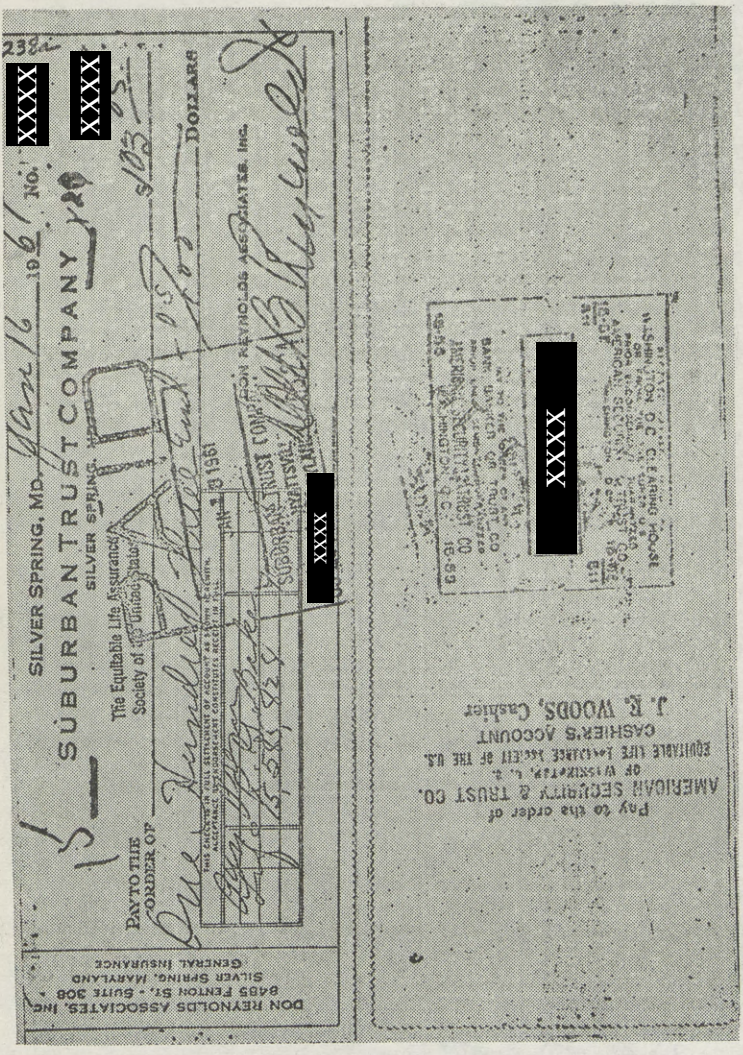
REYNOLDS EXHIBIT 17



REYNOLDS EXHIBIT 18



REYNOLDS EXHIBIT 19



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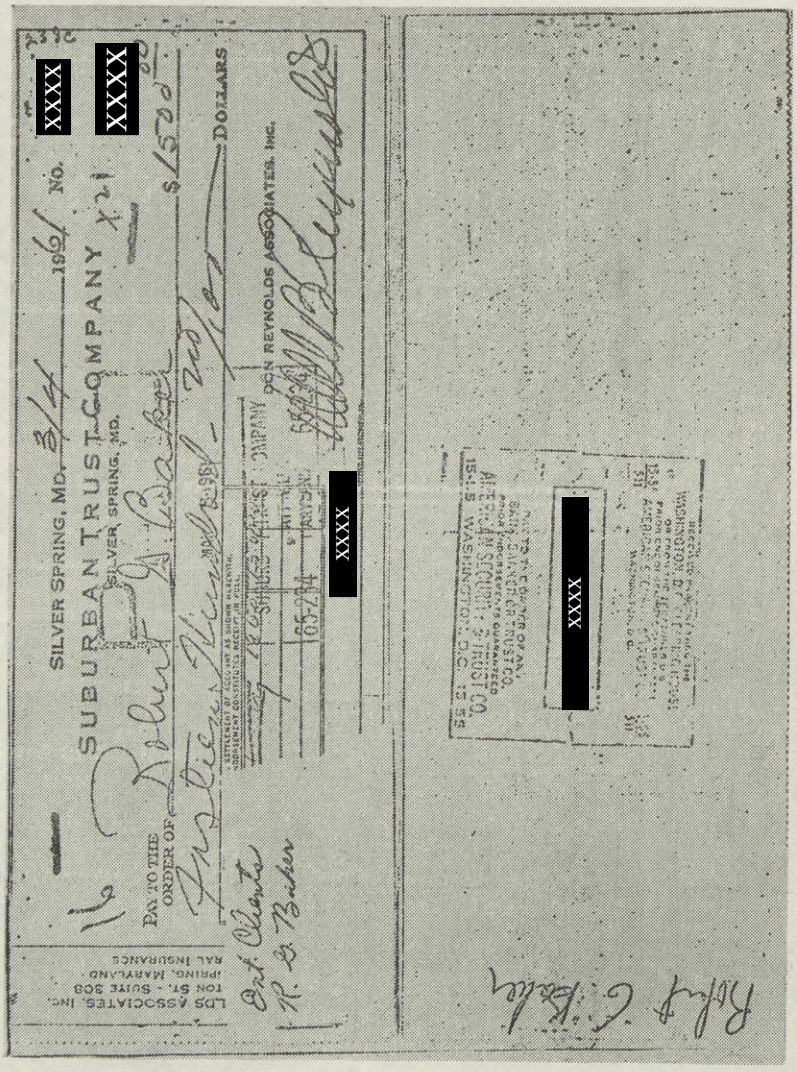

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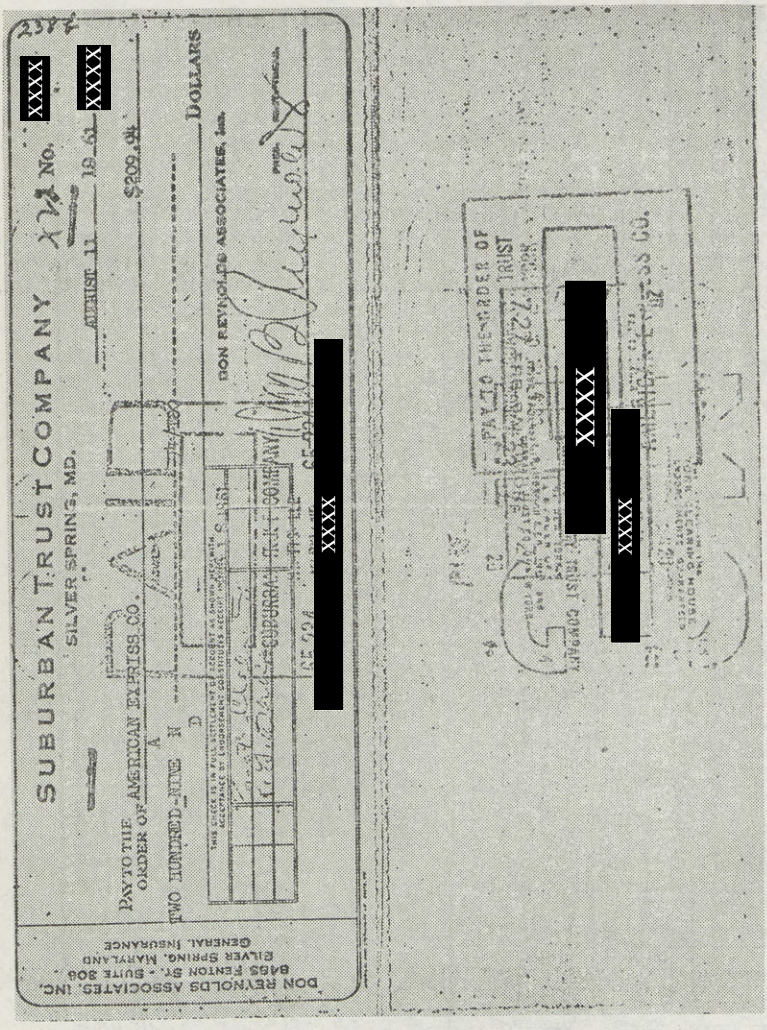

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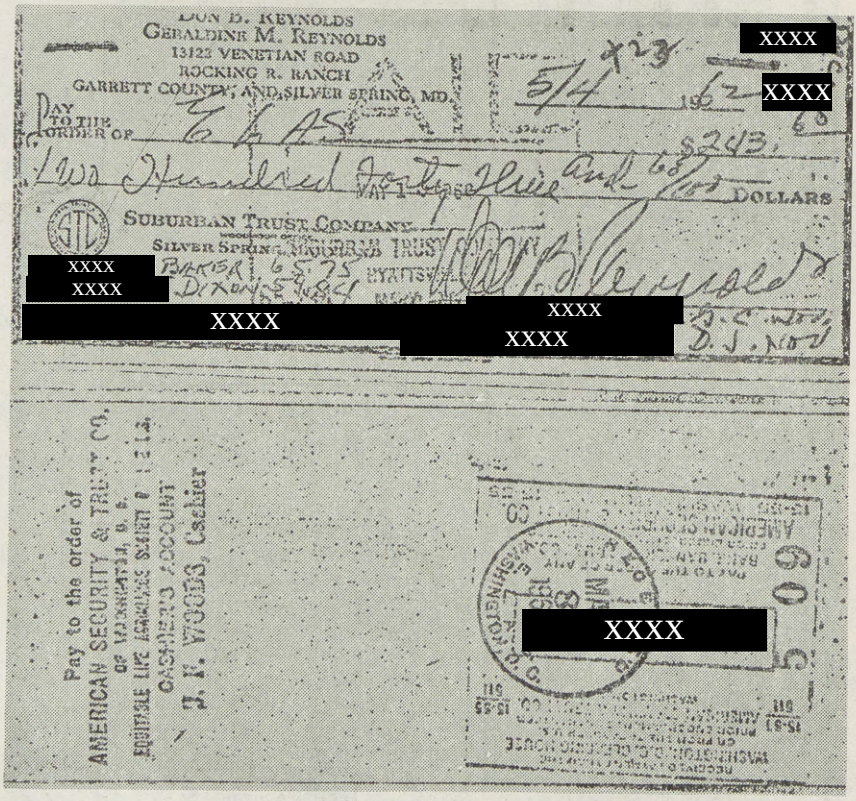

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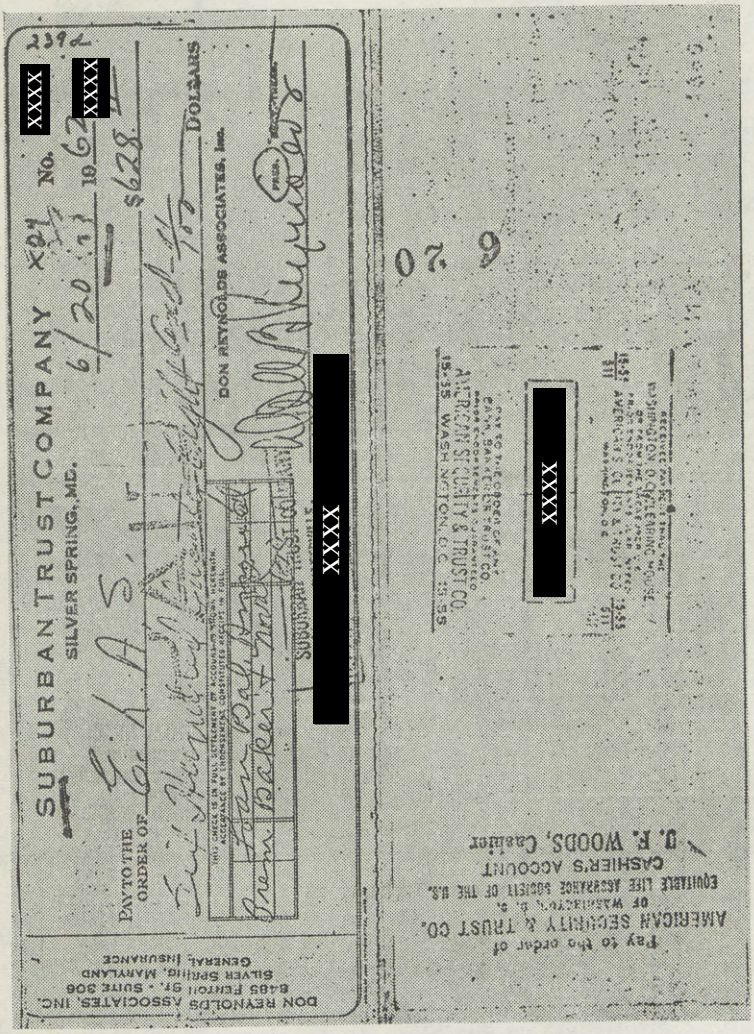

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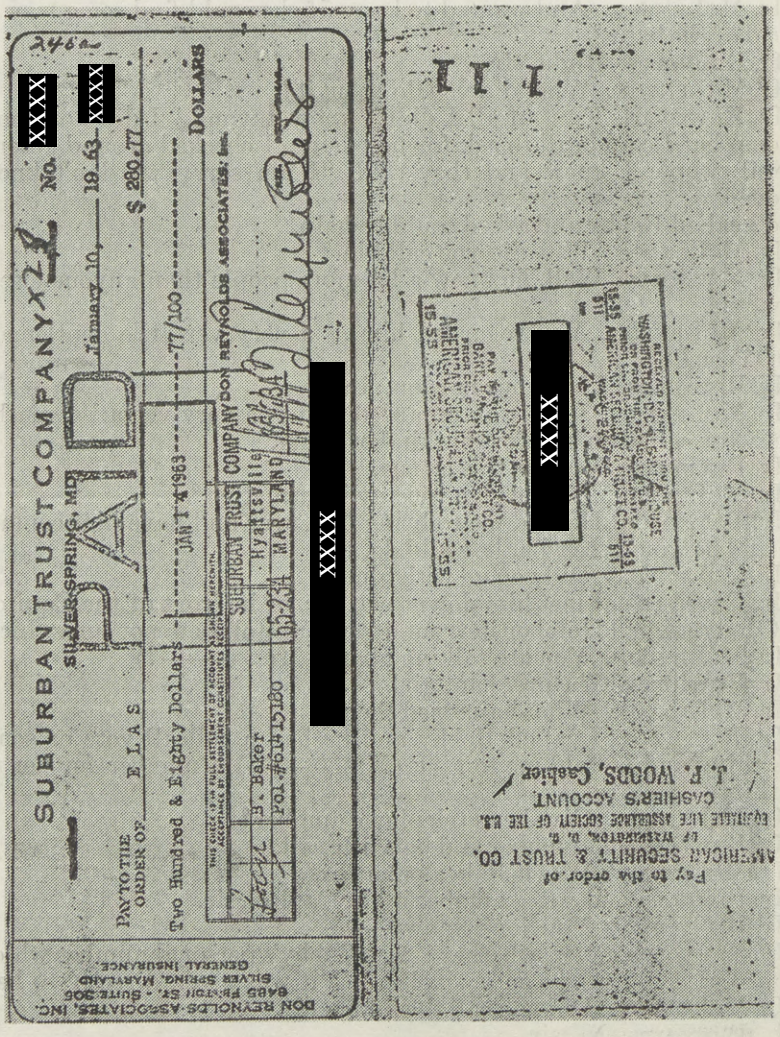

REYNOLDS EXHIBIT 25

Mr. McLendon. Mr. Reynolds, in 1963 did one of your customers (Mrs. ———) call on you for assistance in connection with a young girl who was pregnant?

Mr. Reynolds. She said she had a young lady who needed some help.

Mr. McLendon. You mean by that the young lady was pregnant?

Mr. Reynolds. Yes.

Mr. McLendon. And wanted to know if she could find some way to get rid of the baby?

Mr. Reynolds. Right, sir.

Mr. McLendon. What did you do about it?

Mr. Reynolds. First of all I didn't know anyone. I did not know anyone that I could call to ask for help, sir. I checked around among several people I knew and they said, "I am sorry we don't know anyone."

So I called Bobby and asked could he help.

Mr. McLendon. Why did you call him?

Mr. Reynolds. Well, he knew a lot more people than anyone else I knew, sir.

Mr. McLendon. You regarded him as a very versatile gentleman, didn't you?

Mr. Reynolds. I beg your pardon, sir.

Mr. McLendon. I say, you regarded him as a very versatile gentleman if you called on him for this kind of thing.

Mr. Reynolds. Yes, sir, this is true.

Mr. McLendon. Did he give you any information?

Mr. Reynolds. He told me to bring him over and have him contact him and he would see what he could do, sir.

Mr. McLendon. Did you go with him?

Mr. Reynolds. I met him downtown, sir, or in front of the Capitol, the Congressional Hotel or in front of the Capitol, I am not sure which.

Mr. McLendon. You are talking about (Mrs. ———?)

Mr. Reynolds. The pregnant girl.

Mr. McLendon. What happened then?

Mr. Reynolds. I called Bobby and he had a rollcall vote or some such thing and he told me to give (Mrs. ———) a number for her to call him.

Mr. McLendon. Give her a telephone number?

Mr. Reynolds. A number and have her call.

Mr. McLendon. Was it Baker's number?

Mr. Reynolds. It was a number in the Capitol, sir.

Mr. McLendon. You don't know——

Mr. Reynolds. Now, whether it was Bobby's personal number which was 3737 I could not be sure, sir, because it was given directly to her.

Mr. McLendon. Did you call the number?

Mr. Reynolds. No, sir.

Mr. McLendon. Do you know whether she called it other than what she may have told you?

Mr. Reynolds. No, sir.

Mr. McLendon. Was that the last you had to do with it?

Mr. Reynolds. Yes, sir.

Mr. McLendon. Do you know of your own knowledge anything about what the girl did about an abortion?

Mr. REYNOLDS. Only sometime later (Mrs. ———) called me and thanked me. She didn't say whether it was successful or was not, sir.

Mr. MCLENDON. Did you ever see the girl except the one time that you met her downtown?

Mr. REYNOLDS. Neither before nor since.

Mr. MCLENDON. You are not sure then whether the name, a name was given to the girl, was given by Baker or someone else because you can't identify the telephone; is that right?

Mr. REYNOLDS. That is right.

Senator SCOTT. Do you have the full name of (Mrs. ———) and her address?

Mr. MCLENDON. Yes, sir; we have it. She has been interviewed. (Mrs. ——— present name is Mrs. ———, isn't it?)

Mr. REYNOLDS. Right, sir.

Mr. MCLENDON. And she lives at (———) is that right?

Mr. REYNOLDS. I don't know the address, sir.

Mr. MCLENDON. What is the girl's present name?

Mr. REYNOLDS. I do not know, sir.

Mr. MCLENDON. You didn't know her I take it from what you said?

Mrs. REYNOLDS. No, sir.

Mr. MCLENDON. Is this the only time that you ever had anyone to apply to you for assistance in helping a girl procure an abortion?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. Did you have any knowledge that Baker might have information about such a subject except as you explained a while ago, that he knew so much?

Mr. REYNOLDS. I felt if anyone should know he should, sir.

Senator SCOTT. And your call to Baker was made at his phone in the Capitol, wasn't it?

Mr. REYNOLDS. In the Capitol; yes, sir.

Senator SCOTT. And the telephone number that he gave, are you able to——

Mr. REYNOLDS. Was a Capitol 4–3121 number, but with an extension, sir.

Mr. MCLENDON. One other question and I am through. Did you ever have any connection with the Recreational Industries, Inc., located near Oakland, Md.?

Mr. REYNOLDS. Yes, sir; and I still do.

Mr. MCLENDON. What was your connection with that?

Mr. REYNOLDS. Stockholder, sir.

Mr. MCLENDON. What is that business?

Mr. REYNOLDS. It is a ski run, sir.

Mr. MCLENDON. A ski run in Maryland?

Mr. REYNOLDS. In Deep Creek Lake, yes, sir; right on the West Virginia—I think the Senator would know where it is. It borders on West Virginia and Pennsylvania, sir.

The CHAIRMAN. Snow ski?

Mr. REYNOLDS. Yes, sir, and they have water skiing at Deep Creek Lake, 65 miles of shoreline, sir.

Mr. MCLENDON. Did Baker have any connection with that, sir?

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. Has he ever had?

Mr. REYNOLDS. No, sir.

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Mr. McLENDON. How long have you been associated with it?

Mr. REYNOLDS. As far as ownership of any part of it, only this past summer, sir.

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

The CHAIRMAN. Fine, thank you, sir.

Senator Curtis?

Senator CURTIS. I will be brief because it has been pretty well covered. Coming back to your transactions with Mr. William W. McLeod, did you have any law business to be taken care of by anybody down in South Carolina?

Mr. REYNOLDS. My mother's estate was in settlement, sir.

Senator CURTIS. But that was handled by somebody else?

Mr. REYNOLDS. Yes, sir. It had nothing to do with——

Senator CURTIS. I will put it this way. Did you have any business that you know of to which Mr. McLeod could have been referring?

Mr. REYNOLDS. No, sir.

Senator CURTIS. Did you ever have any conversation with him about law business, employing him as a lawyer?

Mr. REYNOLDS. No, sir.

Senator CURTIS. Was there any conversation about legal fees at the time you paid him the $1,500?

Mr. REYNOLDS. There was a discussion as to how he could pick it up as income, sort of.

Senator CURTIS. How what?

Mr. REYNOLDS. How Mr. McLeod could pick it up as income and my books would show as a legal expense.

Senator CURTIS. And you treated it as an expense?

Mr. REYNOLDS. As a legal expense, sir.

Senator CURTIS. Now, in connection with this bonding for the stadium, you paid Baker $4,000 and McLeod $1,500. Do you know whether anybody else paid Baker anything?

Mr. REYNOLDS. No, sir, I do not.

Senator CURTIS. You don't know either way?

Mr. REYNOLDS. No, sir, I do not. I have no information for or against payment.

Senator CURTIS. Now, in reference to this party in Florida, in Miami, where you discussed the MGIC for the first time, how long did that party last?

Mr. REYNOLDS. I believe that it was 3 days, sir.

Senator CURTIS. Three days. In what hotel did you say?

Mr. REYNOLDS. The Fountainebleau, sir.

Senator CURTIS. And Murchison was the host?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. How much space did he rent in the hotel?

Mr. REYNOLDS. At the time I thought it was a wing, sir, several rooms and a whole big reception area, sir.

Senator CURTIS. Were any entertainers there?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. And about how many people were there some time during the 3 days and 3 nights?

Mr. REYNOLDS. They were going and coming constantly, sir.

Senator CURTIS. Were they people from Florida?

Mr. REYNOLDS. Some of them were. I happened to have been with them. Some of them were the commissioners from Dade County, sir.

Senator CURTIS. Commissioners from Dade County?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Do you remember the names of any of them?

Mr. REYNOLDS. No, sir, I don't, because they all gave me a card and subsequently I lost them.

Senator CURTIS. How did you go down?

Mr. REYNOLDS. I flew down, sir.

Senator CURTIS. Did you buy your own ticket?

Mr. REYNOLDS. I believe I did, sir. I can't answer 100 percent. It could have been paid for by Tommy Webb and reimbursed but I paid.

Senator CURTIS. Well, who was down there that you know?

Mr. REYNOLDS. The only person that I knew before I went there that I met there was this man Tom Ellis and Williams, and I think Williams' father had come down with him, sir.

Senator CURTIS. This is the same Williams that was interested in WERT?

Mr. REYNOLDS. That is right, sir.

Senator CURTIS. Was the WERT project discussed down there?

Mr. REYNOLDS. It was discussed I am sure. To what extent I do not remember, sir, but Tommy Webb being vitally interested in that discussed it and said he would discuss about getting participation.

Senator CURTIS. Were there any Senate employees down there at that party?

Mr. REYNOLDS. If they were I did not know they were Senate employees at the time nor since, sir.

Senator CURTIS. You mentioned Shea.

Mr. REYNOLDS. William D. Shea, sir.

Senator CURTIS. Who is he? Where does he work?

Mr. REYNOLDS. Bill Shea, sir, was a law partner of Tommy Webb, Jr., sir, and was employed by Clint Murchison, Jr., also.

Senator CURTIS. But he lives here in Washington?

Mr. REYNOLDS. This is correct, sir, to the best of my recollection.

Senator CURTIS. What is the occupation of the Mr. Ellis?

Mr. REYNOLDS. Real estate, sir.

Senator CURTIS. In Florida?

Mr. REYNOLDS. In Jacksonville Beach, Fla.; sir.

Senator CURTIS. And what is the occupation of Mr. Williams?

Mr. REYNOLDS. Same thing. They are partners, Williams & Ellis, I believe, sir.

Senator CURTIS. And what was the occupation of Mr. Tuppman?

Mr. REYNOLDS. Mr. Tuppman at the time was an auto dealer, and I am told that as a result of this he went through bankruptcy.

Senator CURTIS. As a result of what?

Mr. REYNOLDS. His effort to spend all his time trying to get the buildings moved off of this land and put up to make a housing project, sir.

Senator CURTIS. Now, you testified that you secured the money from Baker and delivered it to Mr. Webb for Baker's part ownership in the WERT.

Mr. REYNOLDS. Right and through Mr. Peek. I cannot swear that came from Mr. Peek. Mr. Baker gave all the money himself.

Senator CURTIS. Where did you pick it up?

Mr. REYNOLDS. Either I picked it up from Bobby's office or I picked Bobby up and took them to Webb's office. I do not remember which, sir, but it was one or the other.

Senator CURTIS. It was in cash?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. May I ask a question right there to clarify something in my own mind? Peek never gave you any money himself, did he?

Mr. REYNOLDS. No, sir. Bobby said it was for Scott Peek and himself, sir.

Senator CURTIS. What kind of bills, big bills or little bills?

Mr. REYNOLDS. To the best of my recollection, sir, they were mostly small bills.

Senator CURTIS. Mostly small bills?

Mr. REYNOLDS. Because it was a big stack. I hadn't seen that much in a long time.

Senator CURTIS. Where did he get the stack, out of his wallet or out of a desk drawer?

Mr. REYNOLDS. He had it in an envelope, sir, when I met him. In other words, whether I met him in Webb's office, sir, or picked him up in front of his office with my car, I don't remember, but it was in an envelope.

Senator CURTIS. But the money was in an envelope?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Now, what was——

The CHAIRMAN. Was that $1,200?

Mr. REYNOLDS. No, sir. Excuse me, sir, it was $1,120. Originally we were going to put up $560 each, sir.

Senator CURTIS. Now, what Teamster officers or officials or employees participated in loan or any discussions in reference to it?

Mr. REYNOLDS. The only one that I have knowledge of would be Mr. Hoffa.

Senator CURTIS. You did see him?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Where did you see him?

Mr. REYNOLDS. In his office.

Senator CURTIS. In whose office?

Mr. REYNOLDS. Mr. Hoffa's office. Mr. Webb took me over.

Senator CURTIS. In his Washington office?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Who else was present?

Mr. REYNOLDS. Mr. Webb and Mr. Hoffa and some other man of Mr. Hoffa's.

Senator CURTIS. Was there any conversation at that time?

Mr. REYNOLDS. Yes, sir. I was concerned about my name being on the mortgage.

Senator CURTIS. This was after the mortgage?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. And what did you say?

Mr. REYNOLDS. And I asked for permission to remove my name from the mortgage, sir, and let the men take all the profits, and I would just take my loss and get out, sir.

Senator CURTIS. You asked Jimmy Hoffa that?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. What did Mr. Hoffa reply?

Mr. REYNOLDS. To the best of my recollection he said, "Well, don't worry, they will never see your name."

Senator CURTIS. Never see you name?

Mr. REYNOLDS. "They will never see your name."

The McClellan committee was looking at Mr. Hoffa's records at this point.

Senator CURTIS. Oh, yes; I am on the McClellan committee. That is what creates my interest.

Mr. REYNOLDS. And he said to me, "I have got two sets of books."

Senator CURTIS. He said that?

Mr. REYNOLDS. Yes, sir. "So don't worry about them finding your name. Forget it."

Senator CURTIS. And you were concerned with the McClellan committee getting your name?

Mr. REYNOLDS. Sir, I represented reputable companies and when I recognized the position I had gotten myself in I didn't like it.

Senator CURTIS. And Jimmy Hoffa told you not to worry about it, that he had some other books that he would show to the McClellan committee?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. This is both interesting and helpful.

How much land was involved in this WERT enterprise?

Mr. REYNOLDS. It would have been what is called a front city block opposite the new post office in Jacksonville Beach, sir, and there was a 4- or 5-acre tract over in what we call colored town.

Senator CURTIS. Do you know what the purchase price was?

Mr. REYNOLDS. No, I do not, sir.

Senator CURTIS. How did you learn about the way in which Sam Souci appraised the property?

Mr. REYNOLDS. Either Mr. Webb or Mr. Tuppman told me, Mr. Tuppman who was the president of it told me how it was done; either one of the two, sir.

Senator CURTIS. You weren't down there at the time?

Mr. REYNOLDS. No, sir; I had become disenchanted.

Senator CURTIS. Was that appraisal before the Teamsters made the loan offer?

Mr. REYNOLDS. It is my opinion, sir, that a commitment was given before they ever looked at it.

Senator CURTIS. Yes, but the motions of going through an appraisal; was that before or after the loan, or do you know?

Mr. REYNOLDS. I believe the motions took place immediately preceding the placing of the mortgage, sir.

Senator CURTIS. Who induced the Teamsters to make the loan?

Mr. REYNOLDS. Mr. Webb, sir.

Senator CURTIS. Mr. who?

Mr. REYNOLDS. Tommy Webb, sir.

Senator CURTIS. Tommy Webb?

Mr. REYNOLDS. To the best of my knowledge; I don't know of anyone else, sir.

Senator CURTIS. Now, what is your best estimate of the amount of money that you paid Baker as commissions or for securing business or as finder's fees or in any way over the period of your association?

Mr. REYNOLDS. The best that I was able to come up with was around $15,000, sir.

Senator CURTIS. Around $15,000?

Mr. REYNOLDS. Yes, sir.

Senator SCOTT. May I ask a question there?

Senator CURTIS. Yes; go ahead.

Senator SCOTT. Do you know when the land was purchased, approximately?

Mr. REYNOLDS. You mean—sir, they had a sales contract, and then they closed the deal.

Senator SCOTT. When they had signed the contract to purchase the land?

Mr. REYNOLDS. No; I do not, sir.

Senator SCOTT. Approximately.

Mr. REYNOLDS. It was immediately after that stock certificate, I left my stock certificate photostats here. It was immediately after.

Senator SCOTT. Immediately after the issuance of the stock certificates?

Mr. REYNOLDS. Yes.

Senator SCOTT. The agreement was signed for the purchase of this land?

Mr. REYNOLDS. Yes, sir.

Senator SCOTT. Now, at that time had there been any public announcement of a new post office for Jacksonville Beach?

Mr. REYNOLDS. It had already been completed, sir.

Senator SCOTT. The post office had been completed?

Mr. REYNOLDS. It was completed, sir.

Senator SCOTT. So that there was still this land lying with a few old houses on it opposite the new post office?

Mr. REYNOLDS. Right, sir.

Senator SCOTT. But the post office was fully completed and was there at the time the land agreement was made?

Mr. REYNOLDS. Yes, sir.

Senator SCOTT. That is all.

Mr. MCLENDON. These stock certificates are dated March 1959.

Mr. REYNOLDS. So it would have been April or May, then, after that.

Senator CURTIS. This $15,000 or thereabouts that you paid Baker, was substantially all of that paid by check?

Mr. REYNOLDS. Yes, sir.

Sir, I would like to qualify that, one side of it.

Sometimes when I paid insurance premiums on Bobby's own life or on members of his family directly to the Equitable, I would take commissions that the Equitable had paid me and endorse them back to him and sometimes pay them in cash in his behalf, sir.

Senator CURTIS. Who in the Mid-Atlantic Stainless Steel Co. did you deal with when you resold to them some advertising?

Mr. REYNOLDS. Mr. Albert G. Young.

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

Senator CURTIS. Where does he live?

Mr. REYNOLDS. He lives in Colesville, Md., a neighbor of mine, sir.

Senator CURTIS. A neighbor of yours?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Is it a small company?

Mr. REYNOLDS. Originally it was, sir. It is nationwide now, Young's——

Senator CURTIS. And he still——

Mr. REYNOLDS. He still owns control.

Senator CURTIS. All of that was dealing with Mr. Young?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. Is that one you said was pots and pans?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. What is the address of the apartment on Missouri Avenue that you let certain members of the Carpenters Union use on occasion?

Mr. REYNOLDS. I went by, sir, and there is one number out of place, but I believe it is 1322.

Senator CURTIS. 1322 what?

Mr. REYNOLDS. Missouri Avenue NW.

Senator CURTIS. 1322 Missouri Avenue NW. A one-bedroom apartment?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Is it in an apartment house?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Over how long a period of time did you rent it?

Mr. REYNOLDS. I think it was a little more than 18 months, sir.

Senator CURTIS. Was it a furnished apartment?

Mr. REYNOLDS. No, sir; there were certain basic items furnished like silverware, that is stainless steel and this type of thing.

Senator CURTIS. Was there any furniture?

Mr. REYNOLDS. No, sir.

Senator CURTIS. Was furniture provided?

Mr. REYNOLDS. Yes, it was.

Senator CURTIS. Who provided the furniture?

Mr. REYNOLDS. I did, sir.

Senator CURTIS. And did you buy new furniture or rent furniture?

Mr. REYNOLDS. Bought it at a discount place, sir.

Senator CURTIS. You no longer have the apartment?

Mr. REYNOLDS. No, sir.

Senator CURTIS. Over how long a period of time did you let the Carpenters Union use it?

Mr. REYNOLDS. Until they were moved in here, sir, that is the personnel were all moved in and located.

Senator CURTIS. About how long a period of time was that?

Mr. REYNOLDS. Oh, I guess they have all been settled here for 18 months, maybe 20 months.

Senator CURTIS. In other words, you rented it for this specific purpose?

Mr. REYNOLDS. Yes, sir; I had in mind to try to provide something for them that would cause them to think that I had rendered a service to them.

Senator CURTIS. You know it was used?

Mr. REYNOLDS. There was a man who was in charge of maintenance of it, sir, who told me it was used on occasion.

Senator CURTIS. What is that man's name?

Mr. REYNOLDS. He is a fireman by profession in the District of Columbia.

Senator CURTIS. Is he the custodian in the apartment building?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Is he still there?

Mr. REYNOLDS. I don't know, sir. I have not been back in the last year or so. I know they had new purchasers, sir, of the building.

Senator CURTIS. When you think of the name, will you supply it?

Mr. REYNOLDS. I will be glad to, sir.

Senator CURTIS. And did you use this apartment to entertain any other prospective clients?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Or loan it to them?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Were any of them connected with any of the subject matters of our investigation?

Mr. REYNOLDS. No, sir; neither directly nor indirectly, sir.

Senator CURTIS. They were business clients of yours?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Was it used for living quarters?

Mr. REYNOLDS. No, sir.

Senator CURTIS. To play poker or something?

Mr. REYNOLDS. Yes. Some of the men that I knew said they would like to have a place to go where they could enjoy a sociable drink and play a couple hands of poker and feel that they had been good bad boys and go home.

Senator CURTIS. Did this involve any employees of the Senate?

Mr. REYNOLDS. No, sir.

Senator CURTIS. If there are other matters we will want to go into later we will have an opportunity?

The CHAIRMAN. Yes.

Senator CURTIS. That is all.

The CHAIRMAN. Senator Pell?

Senator PELL. I have a couple of questions.

With the exception of Mr. Peek who was involved in the purchase of this stock, were there any other Senate employees with whom you came in contact in the course of the last few years?

Mr. REYNOLDS. You mean met through Bobby, sir?

Senator PELL. No; with whom you had business dealings and relations, to the best of your knowledge.

Mr. REYNOLDS. I don't remember any; no, sir.

Senator PELL. But to the best of your knowledge you would say——

Mr. REYNOLDS. At the moment I cannot recollect any other Senate employee. I may have some general insurance on isolated people, sir, which my office handles which I do not have knowledge of.

Senator PELL. Were any of those insurance policies placed through Baker through leads supplied by Baker?

Mr. REYNOLDS. The ones that he enumerated, sir, that Major McLendon enumerated were, sir.

Senator PELL. But over and beyond those?

Mr. REYNOLDS. To the best of my knowledge, sir.

Senator PELL. On the stereo sets that you gave away, did you take a business deduction or not?

Mr. REYNOLDS. No, sir. My accountant would not let me.

Senator PELL. So they were gifts?

Mr. REYNOLDS. That is correct, sir.

Senator PELL. Was there any inducement over and beyond a purchase in Mr. Johnson's private capacity, Senator Johnson's private capacity, for you to want to sell him life insurance?

Mr. REYNOLDS. There is a certain amount of prestige, sir, in having prestige clients.

Senator PELL. That I realize.

Mr. REYNOLDS. Right, sir.

Senator PELL. To have a man of his caliber, but over and beyond that fact of having a definite prestige client, was there any other inducements that you had in mind in working as hard as you did to write those particular policies?

Mr. REYNOLDS. Other than the monetary return that I would have, sir.

Senator PELL. Those were the only two reasons?

Mr. REYNOLDS. Yes, sir.

Senator PELL. The monetary return?

Mr. REYNOLDS. And the prestige.

Senator PELL. And the prestige of the client?

Mr. REYNOLDS. Yes, sir.

Senator PELL. Was there any question of other Government contracts or business of that sort?

Mr. REYNOLDS. Never; not the remotest idea, sir.

Senator PELL. None whatsoever?

Mr. REYNOLDS. None, sir.

Senator PELL. Thank you.

Senator CURTIS. Is your place of business in the District of Columbia?

Mr. REYNOLDS. Sir, I have an office in Maryland and I have an office in the District of Columbia, too.

Senator CURTIS. And you are licensed in both places?

Mr. REYNOLDS. In both places, sir.

Senator CURTIS. And all of your insurance business is in the Greater Washington area?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. You haven't made a practice of soliciting business elsewhere?

Mr. REYNOLDS. No, sir, but I would explain this for edification, that if there is a countersignature policy——

Senator CURTIS. I didn't understand.

Mr. REYNOLDS. If there is a countersignature to be signed by a Maryland agent for an out-of-State agent, sir, the home office would often send it to me so that I might receive the countersignature fee for places in California, Texas, or ——

Senator CURTIS. Had this California business materialized you would have had to work through——

Mr. REYNOLDS. A California agent, sir.

Senator CURTIS. A California agent?

Mr. REYNOLDS. Yes, sir; and that is why it was not worth while, sir.

Senator CURTIS. Have you solicited insurance away from the Washington-Maryland area?

Mr. REYNOLDS. No, sir.

Senator CURTIS. At this party at the Fontainebleau Hotel, was Eugene Hancock there?

Mr. REYNOLDS. To the best of my knowledge he was not there, sir. The only time I ever saw Mr. Hancock I believe was in Mr. Baker's office in February or March of last year, sir.

Senator PELL. One further question in connection with Mr. Baker. Would you say that you understand what is meant by the concept of conflict of interest?

Mr. REYNOLDS. Sir, I understand, but I am not sure that I can delineate what is and what is not, sir.

Senator PELL. In your opinion, would you think that Mr. Baker had been guilty of conflict of interest in view of his official capacity and also having a relationship with you?

Mr. REYNOLDS. I don't think that his working with me would have necessarily been in conflict at all, sir.

Senator PELL. In other words, his work with you did not involve the flow of legislation or the award of——

Mr. REYNOLDS. Sir, you gentlemen would be in a position to judge whether he did his job properly, but as far as I am personally concerned he could have done what he did for me and not interfered with his profession.

Senator PELL. With the exception of the statehood bill and that was a matter of legislation.

Mr. REYNOLDS. That is right, sir.

Senator PELL. But except for that, there were no other questions of legislation or the award of contracts that you tried to secure his good will?

Mr. REYNOLDS. Right, sir.

Senator PELL. Thank you.

The CHAIRMAN. Senator Byrd?

Senator BYRD. With reference to the apartment on Missouri Avenue, Mr. Reynolds, did you rent this apartment?

Mr. REYNOLDS. Yes, sir.

Senator BYRD. Over what period did you rent the apartment?

Mr. REYNOLDS. I think it was about 20 months.

Senator BYRD. Twenty months, extending from what date to what date?

Mr. REYNOLDS. I cannot answer that truthfully, sir, but I will check my records.

Senator BYRD. Approximately what period?

Mr. REYNOLDS. Oh, say 1960 to some time in 1962.

Senator BYRD. How many rooms were in the apartment?

Mr. REYNOLDS. Two, sir.

Senator BYRD. And what furniture did you say was in the apartment?

Mr. REYNOLDS. There was a settee, a chair, a little table—what do you call it—a dinette set, and in the other room there was a dresser and a bed, sir.

Senator BYRD. Did you have any other apartments in the District or in the metropolitan area which you made available to the Carpenters Union or to any other organization or to any person or persons?

Mr. REYNOLDS. To the best of my recollection, not one, sir.

Senator BYRD. Why do you say to the best of your recollection?

Mr. REYNOLDS. Because I don't remember, sir. I remember some time in the distant past when people were pressed for places I would call friends around and ask if they knew of anyone's apartment to borrow temporarily for rooms.

Senator BYRD. What was the name of the manager of the apartment to whom you gave the key for the Carpenters Union?

Mr. REYNOLDS. This is the man whose name I don't remember, sir; I will obtain it, sir.

Senator BYRD. Do you recall the name or names of any other group or groups or person or persons to whom you accorded the use of this apartment?

Mr. REYNOLDS. Any person who was a client of mine, sir, who wished to go, escape from drudgery and have a drink—any person who was a client of mine who wished to go have a drink or who wished to bat the breeze was free to have it.

Senator BYRD. Do you recall the name or names of any other group or groups or individuals or individual who were clients of yours and who were accorded the use of this apartment?

Mr. REYNOLDS. I don't think that they could indirectly, sir, have any bearing on what your purview would be here of this investigation either directly or indirectly, the Senate or any member of the Government, sir.

Senator BYRD. Do you feel that the use by the Carpenters International Local Union had any relevancy to our inquiries here?

Mr. REYNOLDS. No, sir; but it was a primary purpose for which I obtained it. I thought you were entitled to know why I did it, sir.

Senator BYRD. So you are refusing to answer the question on the basis in your judgment that the question is not relevant to this investigation?

Mr. REYNOLDS. In other words, the men—I feel if I give the names, sir, it might embarrass them in the relationship that they are escaping from the drudgery of marital life and I don't think that I should bring it out unless there is a purpose for it, sir.

Senator BYRD. Were any Senate employees ever accorded the use of this apartment?

Mr. REYNOLDS. I do not believe so, sir.

Senator BYRD. Why do you say you do not believe so? Were you not the sole renter of the apartment?

Mr. REYNOLDS. Yes, sir; but with a key available to anyone who came around and identified themselves, whether they were carpenters or not carpenters who would know, sir.

Senator BYRD. Who had the responsibility for——

Mr. REYNOLDS. Screening?

Senator BYRD. Disposition of the key and screening of the persons who would apply for the room?

Mr. REYNOLDS. In part if they called me I would have that, sir. If they went straight to the apartment, sir, then the manager, the custodian would have, sir.

Senator BYRD. Did any Senate employee or employees ever call you and ask for the use of this apartment?

Mr. REYNOLDS. I do not remember any such. It could have been, but I don't remember it, sir.

Senator BYRD. Did Bobby Baker ever call you or ask you at any time for the use of this apartment for himself?

Mr. REYNOLDS. No, sir. I think that Bobby felt it was too inferior for him to be over.

Senator BYRD. Do you presently have any apartment anywhere in the area for use by your clientele?

Mr. REYNOLDS. No, sir.

Senator BYRD. Did you require the manager of the apartment to render an accounting to you of the persons or groups who were permitted to use the apartment?

Mr. REYNOLDS. No, sir.

Senator BYRD. What was the rental on the apartment?

Mr. REYNOLDS. I think it was approximately $100 a month, sir.

Senator BYRD. So as far as you knew, the manager could have let the apartment out to any individual whether or not that individual was a client of yours?

Mr. REYNOLDS. That is correct, sir.

Senator BYRD. Is that correct?

Mr. REYNOLDS. Yes, sir.

Senator BYRD. Did you ever recommend to the manager of the apartment any name or names of persons or groups who might have contacted you wanting to use the apartment?

Mr. REYNOLDS. The only thing I told the man who was there if they said that I called, if he had time I would appreciate his calling me and verifying this.

Senator BYRD. What business have you had with the Novaks? Have you ever sold any property to the Novaks?

Mr. REYNOLDS. I helped them obtain two pieces of property, sir, in Garrett County.

Senator BYRD. Were these real properties?

Mr. REYNOLDS. Yes, sir.

Senator BYRD. Did you ever sell any personal property to Alfred Novak?

Mr. REYNOLDS. Sell, sir?

Senator BYRD. Yes.

Mr. REYNOLDS. No, sir. I gave to him, sir.

Senator BYRD. What personal property did you give to him?

Mr. REYNOLDS. A little fiberglas cruiser, a cabin cruiser.

Senator BYRD. What was the value of the cruiser?

Mr. REYNOLDS. I think when I bought it I paid $1,500 for it, sir.

Senator BYRD. What was the value of it in your estimation at the time you gave it to him?

Mr. REYNOLDS. That is highly questionable between what he would say and what the public would pay for it. Maybe half price, maybe a bit more, sir.

Senator BYRD. How long had you owned the property at the time you gave it to Mr. Novak?

Mr. REYNOLDS. Two to three years.

Senator BYRD. And you bought it while new?

Mr. REYNOLDS. No, sir.

Senator BYRD. You bought the property secondhand?

Mr. REYNOLDS. Yes, sir.

Senator BYRD. At the price just quoted?

Mr. REYNOLDS. $1,500, sir.

Senator BYRD. Did you have any additional boats?

Mr. REYNOLDS. I had a boat agency, sir, that I was trying to get established in western Maryland, by the name of Deep Creek Marina, and for that I purchased from the Owens Boat Co., so I could show people boats, sir.

Senator BYRD. Did you use the boat that you gave to Mr. Novak or did you use any boat for the purpose of entertaining your clientele?

Mr. REYNOLDS. Socially and for business development, yes, I did, sir.

Senator BYRD. Was Bobby Baker ever on any of your boats?

Mr. REYNOLDS. I think Bobby and his wife and kids were on both boats.

Senator BYRD. Was Mrs. Novak ever entertained by you on any of your boats?

Mr. REYNOLDS. The Novak family was, sir, never Mrs. Novak.

Senator BYRD. Did you at any time give to Mr. Novak or to Mrs. Novak any additional property?

Mr. REYNOLDS. Give to them any additional property?

Senator BYRD. Yes.

Mr. REYNOLDS. Not to my knowledge, sir. I think at this point, Senator, that you are entitled to an explanation when, I say give. I had a little home that needed renovating, sir. In other words, it was a frame structure, and I told Al when we made the initial agreement that if he would come in and do the work for me on a net-cost basis that I would be glad to give him my little boat, sir.

Senator BYRD. So the boat was given to him in settlement for the work which he did for you?

Mr. REYNOLDS. Consideration for his own effort in my behalf, sir.

Senator BYRD. Over and above the cost?

Mr. REYNOLDS. The net cost.

Senator BYRD. Over and above the net cost?

Mr. REYNOLDS. Right, sir.

Senator BYRD. At whose suggestion, Mr. Reynolds, did you send the hi-fi set to Senator Johnson?

Mr. REYNOLDS. Bobby Baker.

Senator BYRD. You are sure that it was at the suggestion of Bobby Baker?

Mr. REYNOLDS. Yes, sir. I supplied Bobby with a catalog from the Magnavox Co., and he said that he had taken it out for Mrs. Johnson to make a selection. I placed an order through the friendship or knowledge I had directly with the Magnavox Co., told them to ship it directly by air express to the Senator, sir.

Senator BYRD. So there is no question in your mind that it was at Mr. Baker's suggestion that you sent the hi-fi set to Senator Johnson?

Mr. REYNOLDS. Yes, sir, and I cannot tell you what impelled him or caused him to ask me to do it because I do not know, sir.

Senator BYRD. Where was Mr. Baker when he made this suggestion to you?

Mr. REYNOLDS. I do not remember, sir.

Senator BYRD. I will ask the question again. Where was Mr. Baker at the time he suggested to you that you supply Senator Johnson with a hi-fi set?

Mr. REYNOLDS. He called me, sir.

Senator BYRD. He called you?

Mr. REYNOLDS. But from where, I do not know, sir.

Senator BYRD. He made no explanation as to why you should send a hi-fi set to Senator Johnson?

Mr. REYNOLDS. I am trying to remember so as not to take it out of context. To the best of my belief and recollection that I had been drawing renewals on the contract and I hadn't been producing any return to the company.

Senator BYRD. You are speaking of what contract?

Mr. REYNOLDS. The renewal contracts on the life insurance he had originally purchased.

Senator BYRD. Would you state again what you said about sending a catalog out to Mrs. Johnson?

Mr. REYNOLDS. Yes. Bobby called me and said that the then Senator would like to have a stereo set, and he asked me what kind I could obtain to the best advantage, that is cost to me, and I told him the only manufacturer that I knew, sir, that I could depend on of top quality would be the Magnavox, and I sent or took to Bobby's office a Magnavox illustrated catalog.

Senator BYRD. You sent or either took to his office, did you say?

Mr. REYNOLDS. Right, sir. I can't be sure whether I sent it by mail or whether I took it personally, sir.

Senator BYRD. Did you say that the catalog then went to Mrs. Johnson for her——

Mr. REYNOLDS. Mr. Baker said it. I cannot tell you except hearsay, sir.

Senator BYRD. Did you ever meet Senator Johnson personally?

Mr. REYNOLDS. Yes, sir.

Senator BYRD. Prior to the time that you sent a hi-fi set to his home?

Mr. REYNOLDS. Yes, sir.

Senator BYRD. Upon what occasion or occasions?

Mr. REYNOLDS. I think the first occasion, sir, was when I was able to produce the first $50,000 life policy on his life, sir. I believe that Bobby called him off the Senate floor, sir, and that I met him out by the door.

Senator BYRD. You never had any communication from Senator Johnson before or after the time of the delivery of the hi-fi set?

Mr. REYNOLDS. He, himself, no, sir.

Senator BYRD. Did Bobby Baker indicate to you that the Senator was appreciative of the gift?

Mr. REYNOLDS. As a matter of fact, it wasn't satisfactory, sir.

Senator BYRD. Why was it not satisfactory?

Mr. REYNOLDS. I believe that the set did not fit Mrs. Johnson's specification for the space that she had allocated. It was too large.

The CHAIRMAN. Will you yield just a second?

Senator BYRD. Yes.

The CHAIRMAN. I heard this from somewhere. I don't know where I got this, probably from you from some of the testimony or something, that you said that Bobby asked for the set, that the Senator thought it was a gift from Bobby, anyway. It never occurred to Senator Johnson that you were the giver of the set.

Mr. REYNOLDS. No, sir, I did not say that. I did not.

The CHAIRMAN. But you said that Bobby asked for it.

Mr. REYNOLDS. Bobby asked for it for the then Senator, sir.

Senator BYRD. I was just going to ask whether or not Senator Johnson knew at the time the hi-fi set was installed that it had been contributed by you?

Mr. REYNOLDS. I don't think there would have been any question about it, sir, because this set, the invoice was billed from the Magnavox Co. directly to Senator Johnson.

Senator BYRD. But that would not necessarily connect you with the transaction.

Mr. REYNOLDS. It showed that the charges were to be sent to Don Reynolds, sir.

Senator BYRD. Now, with reference to the Texas TV station transaction, you said you recouped about $160.

Mr. REYNOLDS. Right, sir.

Senator BYRD. Was this in the form of a check?

Mr. REYNOLDS. From the Mid-Atlantic.

Senator BYRD. From Mid-Atlantic Stainless Steel Co.?

Mr. REYNOLDS. Right, sir.

Senator BYRD. Has that check been——

Mr. MCLENDON. No, sir; that check has not been produced as a check from the steel company.

Mr. REYNOLDS. From the steel to me, no, sir, because that is Mid-Atlantic's property, sir.

Senator BYRD. That is whose property?

Mr. REYNOLDS. Mid-Atlantic Stainless. That check is their property, sir.

Senator BYRD. Your affidavit stated that you had a tacit understanding with Baker that he would be compensated for any business produced for your company, and consequently all the payments you made to Baker were treated as operating expenses on your income tax return; is that correct?

Mr. REYNOLDS. No, sir, it is not. The first $4,000 check I paid myself on a personal account I never made one penny deduction, Senator. I believe there are only two or maybe three checks that were ever picked up as any business expense. One was for entertainment at a saving and loan league meeting; one, I believe, was a loan to an officer, sir, and one other small item.

Senator BYRD. What is the approximate total of the loans that were made to Bobby Baker by you?

Mr. REYNOLDS. Senator, that is where we get into trouble. I don't know where the total is here. I think it is a little incorrect. They show $25,000. I think this is far wrong, sir. I think that one was incorporated in the other and I think it is around $15,000.

Senator BYRD. You think that the total amount of the loans is $15,000?

Mr. REYNOLDS. Right, sir.

Senator BYRD. Do you in your own mind consider these to have been loans, gifts, or payments?

Mr. REYNOLDS. They were never considered by me to have been loans.

Senator BYRD. They were considered by you——

Mr. REYNOLDS. To be payments.

Senator BYRD. To be payments, not to be repaid to you?

Mr. REYNOLDS. Right, sir; except that he would try to further my business interests to the best of his ability and if he could completely repay, fine, sir.

Senator BYRD. Did he ever at any time state to you any reason why he wanted to give you these notes?

Mr. REYNOLDS. No. As a matter of fact, I questioned him once as to why he wished to continue giving me the notes.

Senator BYRD. And what was his answer?

Mr. REYNOLDS. He said in case he did not produce enough to cover what I had made available to him, I at least was to have a written document to try to work it out with Dotty, his wife, the amount that was really unpaid.

Senator BYRD. Did he ever at any time indicate to you that he was giving you a note so that the corporation could recover against his estate in the event that he died?

Mr. REYNOLDS. No. We had, I think you call it, a tacit understanding, sir, that in case he had not helped me bring into my office enough business that would warrant the full amount advanced to him, then that I could claim from Dotty any difference between the amount he had produced and the amount he owed, sir.

Senator BYRD. Then these would not exactly fall into the category of payments which were not expected to be repaid, would they?

Mr. REYNOLDS. Only interrupted by premature death, sir.

Senator BYRD. Mr. Reynolds, were you ever in the service?

Mr. REYNOLDS. Yes, sir.

Senator BYRD. Did you receive an honorable discharge from the service?

Mr. REYNOLDS. Yes, sir.

Senator BYRD. Did you have any difficulty receiving an honorable discharge from the service?

Mr. REYNOLDS. I had complications of which I was never completely aware of the circumstances, sir.

Senator BYRD. Did you have the assistance of any Member of Congress in resolving these complications?

Mr. REYNOLDS. Senator McCarran.

Senator BYRD. What was the nature of the complication?

Mr. REYNOLDS. I think it started out because of my appearance in the executive committee hearings, sir, concerning security matters in the State Department and in the Defense Department, and they felt that I had given classified information to a senatorial investigating committee that was classified, sir, and the Otepka case going on right now, is very similar to the circumstances when I left the service, sir.

Senator BYRD. Were you ever in attendance at any of the military academies?

Mr. REYNOLDS. Yes, sir, I flunked out of West Point when I was a kid, sir.

Senator BYRD. By whom were you appointed to West Point?

Mr. REYNOLDS. Senator Smith.

Senator BYRD. Which Senator Smith?

Mr. REYNOLDS. Ellison D., of South Carolina.

Senator BYRD. On what basis did you flunk out of the Academy?

Mr. REYNOLDS. I was deficient in academics, sir.

Senator BYRD. Particularly in what courses?

Mr. REYNOLDS. I think it was Spanish or chemistry, I am not sure which, sir.

Senator BYRD. Were you ever in any other academy?

Mr. REYNOLDS. In any other academy?

Senator BYRD. Other academy than the one to which you have just referred.

Mr. REYNOLDS. West Point.

Senator BYRD. Were you in the Air Force Academy?

Mr. REYNOLDS. No, sir.

Senator BYRD. Or Naval Academy?

Mr. REYNOLDS. No, sir.

Senator BYRD. Have you supplied any documents to Senator Williams of Delaware in connection with this investigation?

Mr. REYNOLDS. I think I told him that I had some documents available, and that when the Intelligence Section of the Internal Revenue came out, they told me they had a pocket subpena, sir, I saw no sense in trying to fight the situation, so I just turned them right over, sir.

Senator BYRD. To whom?

Mr. REYNOLDS. To Senator Williams.

Senator BYRD. Did he contact you or did you contact him?

Mr. REYNOLDS. Senator Williams contacted me, sir.

Senator PELL. Excuse me. About what date was that?

Mr. REYNOLDS. I don't remember, sir.

Senator PELL. What month? Do you happen to recall the month when he contacted you?

Mr. REYNOLDS. When this thing first started hitting the fan, sir——

The CHAIRMAN. Last year?

Mr. REYNOLDS. Yes, sir; I didn't know who Senator Williams was, unfortunately, until the thing occurred.

Senator BYRD. You are presently holding one or more notes from Bobby Baker, aren't you?

Mr. REYNOLDS. I don't think I personally have any notes.

Senator BYRD. You are not holding any note——

Mr. REYNOLDS. I am sorry, sir, Mr. Fitzgerald has them.

Senator BYRD. But they are made out to you?

Mr. REYNOLDS. Right, sir.

Senator BYRD. And they have not yet reached maturity?

Mr. REYNOLDS. I think some of them have passed, one of them has passed maturity that has been incorporated.

Sentor BYRD. Been incorporated in a subsequent note?

Mr. REYNOLDS. Right, sir.

Senator BYRD. But the note or notes which are presently being held by your attorney have not reached maturity?

Mr. REYNOLDS. I think this is correct, sir.

Senator BYRD. And they do include interest on the previous notes?

Mr. REYNOLDS. Purportedly so. I have not checked them nor has my accountant checked them, sir.

Senator BYRD. How long have you been holding these? Isn't it ordinarily good business to check the figures to make sure that interest has been properly computed and included in the subsequent notes?

Mr. REYNOLDS. Sir, If I had considered it a legitimate collectible debt I would have done so.

Senator BYRD. Why are you continuing to hold the notes if you do not consider them to be legitimate and collectible?

Mr. REYNOLDS. I did not myself have possession of them or know where they were until in October; Bobby called my accountant, sir.

Senator BYRD. You spoke earlier of the amount which had been invested as being $1,000.

Mr. REYNOLDS. I did not speak of that, sir.

Senator BYRD. Perhaps the counsel used that.

Mr. REYNOLDS. I think the counsel said Mr. Baker had invested, which is incorrect, sir.

Senator BYRD. And you said it was incorrect?

Mr. REYNOLDS. Right, sir.

Senator BYRD. What was the correct amount invested?

Mr. REYNOLDS. Nothing, sir.

Senator BYRD. Mr. Chairman, I have no further questions.

Senator CURTIS. I just have one question. If it takes long, why you can submit it for the record.

Have you done any other business, insurance or bonding, in connection with the Government or government contracts of the District of Columbia or the Federal Government itself or any agency thereof other than that in connection with the stadium?

Mr. REYNOLDS. Neither directly nor indirectly, sir.

Senator CURTIS. That was the only Government——

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. May I for my own information ask, did you insure the stadium?

Mr. REYNOLDS. No, sir.

Senator CURTIS. It was the bonding.

I said insurance or bonding.

The CHAIRMAN. You bonded the contractor?

Mr. REYNOLDS. Right, sir.

Senator CURTIS. You understand my questions. Have you written bonds for contractors or any Government——

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. Mr. Reynolds, I didn't understand your reference to pocket subpena there. You dropped your voice and I couldn't hear what you said.

Mr. REYNOLDS. The Intelligence Section of the Internal Revenue came down, two gentlemen came in and said, "We are from Intelligence" and they showed their identification and said, "We are here to investigate matters pertaining to Mr. Bobby Baker whom you

probably know, and we would like to know whether we have to issue a subpena to get them or do you wish to turn them over voluntarily."

I think I asked the question, "Will tomorrow be all right," but since Senator Williams had contacted me prior to that time, I think I came down with Mr. FitzGerald and turned the documents over to the Senator at that time.

Senator PELL. One further question, if I may.

The CHAIRMAN. Yes, indeed.

Senator PELL. One thing I do not understand is why you were so kind to Uncle Sam and did not take these things as deductions, these notes?

Mr. REYNOLDS. Sir, the accountant charges me to make this for the Government to keep a reputation for himself.

Senator PELL. These are basically, though, either a gift—it was not a payment, as I understand it. It would be, then, gifts in your mind?

Mr. REYNOLDS. I never expected to be repaid, sir. I did expect if business came in sir, that the volume itself would offset them.

Senator PELL. Then you would take it as a deduction at that time?

Mr. REYNOLDS. No, sir.

The CHAIRMAN. Are there any further questions?

Mr. MCLENDON. Mr. Reynolds, you will be notified when the committee expects you to be back.

(Whereupon, at 4:30 p.m., the committee recessed, subject to the call of the Chair.)

FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

FRIDAY, JANUARY 17, 1964

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 (presiding), Hayden, Byrd of West Virginia, Curtis, Cooper, and Scott.

Also present: Gordon F. Harrison, staff director; Hugh Alexander, chief counsel; L. P. McLendon, general counsel; James Duffy, associate counsel; Burkett Van Kirk, associate counsel; Bill Whitley, staff assistant to Senator Jordan; Walter Mote, minority counsel; and William Ellis Meehan, investigator.

(Members present: Senators Jordan, Hayden, Curtis, and Scott.)

The CHAIRMAN. A quorum is present. The committee will come to order.

TESTIMONY OF DON B. REYNOLDS, ACCOMPANIED BY JAMES F. FitzGERALD, COUNSEL—Resumed

The CHAIRMAN. Mr. Reynolds, you remember the statement that was read to you the last time you appeared before the committee—the opening statement I made?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. And you and your counsel are familiar with that?

Mr. FITZGERALD. Yes, sir.

The CHAIRMAN. And you were sworn at that time, so it won't be necessary for you to be sworn again. You are still under oath.

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. Counsel, you may proceed.

Mr. MCLENDON. Mr. Chairman, I first offer to be added to the record of examination of this witness an affidavit of Walter Jenkins, dated January 11, 1964, in which he makes oath that the report of interview with him December 16 by Mr. Ellis Meehan, our chief investigator, and myself, is correct and contains all the information he has with respect to the purchase of life insurance by Senator L. B. Johnson.

(At this point, Senator Cooper entered the hearing room.)

Mr. McLENDON. I have some copies for members of the committee. Give that to the reporter, I would say, to be attached to the record.

The CHAIRMAN. It will be incorporated in the record at this point in the hearings.

(The document referred to is as follows:)

AFFIDAVIT OF WALTER JENKINS

January 11, 1964

WALTER JENKINS, being first duly sworn, deposes and says that he has read the Memorandum to the Files, dated December 16, 1963, from L. P. McLendon and W. Ellis Meehan, a copy of which is attached hereto, and that the statements of WALTER JENKINS, as set forth therein, are true to the best of his knowledge and belief.

Walter Jenkins

Mildred Stegall
Notary Public, District of Columbia

Subscribed and sworn to before me this 11th day of January, 1964

My Commission Expires October 31, 1968

MEMORANDUM

December 16, 1963

TO: The Files

FROM: L. P. McLendon and W. Ellis Meehan

SUBJECT: Interview with Walter Jenkins RE: Life Insurance Sales by Don Reynolds

Walter Jenkins was interviewed at the Executive Office Building at 3:00 p.m. on December 11, 1963, by W. Ellis Meehan and L. P. McLendon.

Mr. Jenkins has been closely associated with Lyndon B. Johnson (now President Johnson) since 1939 in the capacity of Administrative Assistant.

After Mr. Johnson suffered a heart attack, the LBJ Company sought insurance on Mr. Johnson's life. Jenkins is quite sure that Robert G. Baker knew of the company's desire for additional insurance. Inquiries were made of a number of people and some insurance companies, and suggestions were received from several sources with respect to how such insurance might be obtained. Mr. Jenkins learned that inquiries had been made of representatives of the Manhattan Life Insurance Company, but nothing definite had been done with respect to a commitment by the company, although it was common knowledge that this company had the reputation for selling life insurance in special cases such as to people who had suffered heart attacks.

Mr. Jenkins thinks, but isn't sure, that sometime near the first of 1957, Don Reynolds called Mr. Jenkins and inquired whether Senator Johnson was in the market for the purchase of life insurance, or the LBJ Company. He says that if this occurred, he would have replied affirmatively.

Mr. George P. Sampson, General Agent of the Manhattan Life Insurance Company in Washington, D. C. treated the application for insurance as having been originated with Don B. Reynolds, an agent of the company, and that he was entitled to the usual agent's commission on the premiums. Mr. Jenkins is not sure, but he believes assembly of the information and preparation of data sent to the company in connection with the first application for insurance was all handled by Mr. Sampson.

The first application was for insurance in the amount of $100,000.00. The Manhattan Company first issued a policy limited to $50,000.00, but it is understood that the Manhattan Life Insurance Company received information indicating that a competing company would issue insurance in the total amount of $100,000.00, and shortly thereafter, the Manhattan Company issued a second policy in the amount of $50,000.00. Both of these policies were payable to the LBJ Company. Jenkins explained that the company was anxious to get insurance on Mr. Johnson in as large an amount as possible to protect its stock and control because if Mr. Johnson should die, Mrs. Johnson would have to sell some of her stock in the company to pay estate taxes, etc. The company wanted to be in a position to buy back and retire stock rather than to allow it to be offered on the market. These two policies carried a much higher premium than normal, because of the history of Mr. Johnson's heart attack.

Sometime in 1961, application was made to the Manhattan Life Insurance Company for an additional policy in the amount of $100,000.00. This was immediately prior to a trip made by Mr. Johnson to Asia. The company did issue the additional $100,000.00, which was made payable to Mr. Johnson's children, and the first premium check was on Mr. Johnson's personal account. Later in the same year, the beneficiary of the policy was changed to the LBJ Company and it paid the premiums.

Huff Baines referred to by Don Reynolds was an insurance agent in Texas. Mr. Jenkins has no knowledge of any conversation between Mr. Baines and Mr. Reynolds, nor does he have any knowledge of any arrangements by which Reynolds purchased advertising time on the TV station. It is his opinion that Baines was working on the problem of obtaining life insurance on the life of Mr. Johnson, and that he was, to some extent, a competitor of Mr. Reynolds.

With respect to the alleged gift of a record player to Mr. and Mrs. Johnson, Mr. Jenkins stated that he is informed it was a present from Robert G. Baker. Mr. Jenkins is positive that he had never heard from any source that there was a business connection between Robert G. Baker and Don Reynolds in the insurance agency operated by Mr. Reynolds or that Reynolds had any connection whatever with the record player gift.

Mr. Jenkins states it is his recollection that when Mr. Johnson bought his home in Washington in June, 1961, the transaction was consummated while Mr. Johnson and he were on a trip around the world. He thinks that fire insurance in the amount of $175,000.00 was obtained as a binder until permanent arrangements could be made about permanent insurance. The policy issued in June, 1961, in the amount of $175,000.00 remained in effect about six weeks. He thinks that Robert G. Baker handled the procurement of this policy as a courtesy to Mr. Johnson while he and Jenkins were both out of the country. The permanent insurance was not placed through Mr. Reynolds or Mr. Baker but through an agent in Texas.

For many years, Mr. Jenkins has been looking after the personal affairs of Mr. Johnson, including paying insurance premiums to avoid the lapse of insurance, payment of property taxes, etc. He had no suggestions or intimations from any source that Robert G. Baker and Don B. Reynolds had any joint or common interest in the commissions earned from the sale of these policies. He states emphatically that all the premiums on the policies have always been paid by the LBJ Company, and that no part of such premiums have been charged off by the LBJ Company as a business expense. His recollection is that the premiums paid to date amount to a total of approximately $80,000.00.

He states that he was never present or a participant in any alleged conversation between Reynolds and Baker where the disposition of the commissions earned by Reynolds as agent for the Manhattan Life Insurance Company was discussed. He emphatically denies ever suggesting to Robert G. Baker or to Reynolds the LBJ Company should get any sort of rebate from the commissions earned by Reynolds.

Senator SCOTT. I would suggest that the witness see it and be asked to comment.

The CHAIRMAN. All right.

(At this point Senator Byrd entered the hearing room.)

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

Mr. MCLENDON. Mr. Reynolds, have you read the affidavit of Walter Jenkins, and the report of interview with him attached to it?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. Do you have any comment to make about it?

Mr. REYNOLDS. I think in general and complete agreement with one or two exceptions sir.

Mr. McLendon. You may state what the exceptions are.

Mr. Reynolds. The exceptions pertain to advertising time which he states he has no knowledge——

Mr. McLendon. Beg pardon, Mr. Reynolds.

Senator Scott was not present when we started.

Senator Scott. Senator Curtis and I were talking in the corner. We were present.

Mr. McLendon. I beg your pardon.

Start over again, Mr. Reynolds.

I will ask you a question here. Have you read the affidavit and the attached report of an interview with Mr. Walter Jenkins, which has been handed to you?

Mr. Reynolds. I have, sir.

Mr. McLendon. What comment, if any, do you have to make about the content of the statements made by Mr. Jenkins in the interview?

Mr. Reynolds. With the general context of it, I agree. But on a couple of points, minor or major, which I am not in a position to judge, I disagree.

Mr. McLendon. You may state what the disagreement is.

Mr. Reynolds. No. 1 is the statement that he had no knowledge of any question of advertising time to be purchased from KTBC, which is a station owned by LBJ Co., sir.

Mr. McLendon. And your statement is——

Mr. Reynolds. He did have knowledge, and discussed it with me, sir. And he discussed it directly with the president of the Mid-Atlantic Stainless Steel Co., Mr. Albert G. Young.

Mr. McLendon. How do you spell this man's last name?

Mr. Reynolds. Y-o-u-n-g.

Mr. McLendon. He was vice president of what?

Mr. Reynolds. He is the president of the Mid-Atlantic Stainless Steel Co., sir, of Silver Spring.

Senator Cooper. May I ask a question?

Mr. McLendon. Certainly, sir.

Senator Cooper. I will withhold for a moment.

Mr. McLendon. Have you finished your answer in connection with the advertising, the comment you were going to make about that?

Mr. Reynolds. Only to the extent that I have reconfirmed it with Mr. Young, that he dealt directly with Mr. Jenkins. And, also, with the station manager of KTBC, a Mr. Kallam.

Mr. McLendon. Anything else you want to say about that?

Mr. Reynolds. Not about the advertising, sir.

Mr. McLendon. Are there any other comments you want to make about the statement?

Mr. Reynolds. I think, sir, with your permission, it might be appropriate to introduce at this time a bill of lading from the Magnavox Co. to me for the shipment of the stereo set to the then Senator Johnson, sir.

Mr. McLendon. I thought that was already in evidence.

Mr. Reynolds. I did not present it, sir.

Mr. McLendon. Yes, it is in evidence.

The Chairman. I think Senator Williams brought that to us the first day he was here.

Senator CURTIS. Could we have a general understanding whenever an exhibit, particularly those referred to and prepared by the staff, of which we know we have copies, are referred to, that they be entered into the record and all the notations shown, because we may forget.

Mr. MCLENDON. We try to do that.

Senator CURTIS. Yes. I mean could we have sort of a cleanup thing that any exhibit referred to will be incorporated in the record.

The CHAIRMAN. Isn't that in the record?

Mr. MCLENDON. Yes. Both of these are in the record—one for the purchase price, and also one for installation.

Mr. REYNOLDS. Right.

Senator CURTIS. Are they in Williams' statement or in his?

Mr. MCLENDON. No, sir—they are in the examination of Don B. Reynolds. They are in the original.

Senator CURTIS. Do they have a number?

Mr. MCLENDON. Yes, they have a number.

Senator CURTIS. If the witness wanted to refer to something already introduced to clarify something, he could refer to the number.

Mr. MCLENDON. Mr. Reynolds, were you going to make any further comment about that, or simply suggest that the two documents be put in evidence? And they are in evidence.

Mr. REYNOLDS. Sir, it is not necessary—it would be repetitious to stick them back in.

Mr. MCLENDON. That is all you had to say about that?

Mr. REYNOLDS. Yes, sir, about that item.

Mr. MCLENDON. All right.

Now, returning to my original question, is there anything else in the report of interview with Mr. Jenkins which you have read since you have been here this morning about which you want to comment? Or to put it differently, is there anything in there that you differ with?

Mr. REYNOLDS. I should like to make an inquiry, sir.

Mr. MCLENDON. Yes, sir.

Mr. REYNOLDS. From the information here—and I am not sure I understand, and that is the reason I ask the question, sir—is it to be assumed that this applies to Mr. Walter Jenkins only, and not to any other person of the then Senator Johnson's household—that is, as far as knowledge of this unit?

Mr. MCLENDON. That has nothing to do with anybody except the persons he mentioned in the statement.

With that, are you through commenting?

Mr. REYNOLDS. Yes, I am—except the final paragraph, sir.

Mr. MCLENDON. All right.

Mr. REYNOLDS. And insofar as Mr. Jenkins says he emphatically denies ever suggesting to Baker or to Reynolds the LBJ Co. should get any sort of rebate from the commission earned by Reynolds, I think this is correct, as far as the terminology of rebate, sir, but I do not wish to imply that there was not a question of advertising time directly discussed with him, sir.

Mr. MCLENDON. Anything else now?

Mr. REYNOLDS. No, sir.

Senator CURTIS. Now, in reference to those exhibits—every exhibit that has been received, including exhibit 7, has it included the whole exhibit, including the endorsements on the back?

Mr. MCLENDON. Yes, sir, as far as I know.

Senator CURTIS. I don't think we should have a partial exhibit, because that raises questions.

Mr. MCLENDON. I am not aware of any partial exhibit.

Senator CURTIS. Check No. 7—see if it shows the endorsement.

The CHAIRMAN. Is that check No. 7?

Senator CURTIS. Exhibit No. 7.

Mr. MCLENDON. What page is it on?

I have it. The endorsement appears on the front of the check and also the back of the check, in the exhibit.

Senator CURTIS. I see.

Mr. MCLENDON. Following page 1130.

Senator CURTIS. I just want to make sure of it. Because we have a disagreement of witnesses here—so that the record is complete.

Mr. MCLENDON. Mr. Reynolds, when you were here before the committee a few days ago, you recall that I asked you a series of questions about various business transactions that you had with Robert G. Baker. You remember that?

Mr. REYNOLDS. Yes, I do, sir.

Mr. MCLENDON. And we went through quite a long list that you had furnished to the committee staff.

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. I did not ask you, because it was not on the list, and I don't believe you mentioned it, the purchase of some property near Oakland, Md., in 1960. I called your attention to that this morning before you came into the hearing. And I am sure you know to what I refer.

Would you now make a statement to the committee about any purchase of property in 1960 in which Baker participated?

Mr. REYNOLDS. Yes, sir. I was in the process of trying to accumulate some mountain property in Garrett County, sir.

The CHAIRMAN. What kind of property?

Mr. REYNOLDS. Mountain sir—in other words, pure mountain property.

And I asked Bobby if he would like to be one of the participants on a joint venture. And he said that he would. And I told him we needed a thousand dollars from each person of earnest money—that is, to be put up as a binder until we went to settlement. And before the land transaction had taken place—or before we had gone to settlement, he said he needed his money for some other purpose.

Mr. MCLENDON. And was the money returned to him?

Mr. REYNOLDS. The money was returned to him in cash, the same form he had given it.

Mr. MCLENDON. So except for the time during which the thousand dollars was invested by Baker, he did not have any investment in this particular piece of property?

Mr. REYNOLDS. That is right, sir.

Mr. McLendon. Did you have occasion to assist him or attempt to assist him in securing a loan or loans from American Security & Trust Co. of Washington, D.C., in 1960?

Mr. Reynolds. No, sir.

Mr. McLendon. Did you attempt to assist him in securing a bank loan from any bank about that time?

Mr. Reynolds. It was either then or subsequent, sir, that Bobby needed some money. And I asked the bank.

Mr. McLendon. Which bank?

Mr. Reynolds. The National Bank of Maryland, sir—if they would consider making a personal loan to Bobby. And I presented a financial statement that Bobby had given to me.

Mr. McLendon. I didn't understand you.

Mr. Reynolds. I presented Bobby's——

Mr. McLendon. You presented a financial statement?

Mr. Reynolds. That Bobby had given to me in an envelope, to the bank, sir. And to the best of my knowledge I never knew what was in it, because it was turned over to the bank directly.

Mr. McLendon. You did not read the statement?

Mr. Reynolds. To the best of my recollection, I did not.

Mr. McLendon. You could not tell the committee anything about the contents of the financial statement?

Mr. Reynolds. No; except that someone called me if Mr. Baker, or Bobby, had any interest with me in property in Oakland, and I told him no, it was not true, sir.

Mr. McLendon. If it should appear before this committee that on the 15th day of February 1960, Robert G. Baker did file a financial statement with the American Security & Trust Co. of Washington, D.C., in which he listed the ownership of a number of stocks, among them being 10 shares of Don Reynolds Insurance Co. at the value of $5,000, what comment would you make about that?

Mr. Reynolds. He did not own any, nor was the value even correct, sir.

Mr. McLendon. Your answer is, then, that at that time he did not own any shares of stock in the Reynolds company?

Mr. Reynolds. That is correct. Nor has he ever owned any, sir.

Mr. McLendon. You have testified about the original agreement to buy, but he did not buy?

Mr. Reynolds. He never purchased, sir.

The Chairman. He was an officer in the company, though?

Mr. Reynolds. Yes, sir.

Mr. McLendon. And what would be your comment about the value of the Don Reynolds stock which you owned individually? You wound up owning it all—in February 1960. Would 10 shares be worth anything like $5,000?

Mr. Reynolds. No, sir.

Mr. McLendon. More or less?

Mr. Reynolds. Much less.

Mr. McLendon. Much less?

Mr. Reynolds. Yes, sir.

Senator Byrd. How much less, Mr. Chairman?

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Mr. McLENDON. How much less, would you say?

Mr. REYNOLDS. I would say that I would not have paid over $5,000 for all.

Mr. McLENDON. You would not have paid——

Mr. REYNOLDS. No, sir.

Mr. McLENDON. Well, that is not hardly the judge of market value. Did it have any market value?

Mr. REYNOLDS. I don't believe it would have any market value with my being out, sir.

Senator BYRD. Mr. Chairman, I don't want to anticipate your questions, but I am just wondering what the value of 10 shares would have been.

Mr. McLENDON. Could you tell the committee, give the committee your best judgment as to what the value of 10 shares of your company's stock would have been on February 15, 1960?

Mr. REYNOLDS. Probably a thousand dollars.

The CHAIRMAN. The only value that it could have had would be accounts receivable, wouldn't it?

Mr. REYNOLDS. It would have been what we call, sir, in the insurance field, the goodwill of business on the books, sir. In other words, without the personality of the key person involved, the renewal would probably not accrue to the company, sir.

Mr. McLENDON. Mr. Reynolds, one other question. I have not had time to check the transcript of your testimony the other day. I am not sure about this. And I am asking in an abundance of caution.

Did Robert G. Baker have anything to do with assisting you in the sale of life insurance to any individuals who may have been officers or employees of the Carpenters Union?

Mr. REYNOLDS. No, sir; none whatsoever.

Mr. McLENDON. He did not? Did he ever claim any compensation as a result of the sale by you of insurance to those people?

Mr. REYNOLDS. He made a statement to me, sir, that he needed some money and without being known that he was associating with me, I probably couldn't keep my good accounts.

Mr. McLENDON. I am not sure I understand that.

He made a statement what?

Mr. REYNOLDS. To me—that he needed some money, sir.

Mr. McLENDON. Yes.

Mr. REYNOLDS. And without people in general knowing that he was associated with me, I would probably lose some of my good accounts. And I told him that was a matter of opinion, sir.

Mr. McLENDON. Well, what reference did that have to the Carpenters Union?

Mr. REYNOLDS. Well, my Carpenters Union was developing into a nice account, sir.

Mr. McLENDON. Did you understand his statement to mean that it would be beneficial to you if it was disclosed to the Carpenters Union that Baker was associated with you? Is that what you are saying?

Mr. REYNOLDS. I believe this was his intent to me, sir.

Mr. McLENDON. You believe that is what he meant?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. All right.

That is all, Mr. Chairman, I have to ask the witness.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. I will yield for the moment.

The CHAIRMAN. Senator Byrd?

Senator BYRD. I yield for the moment, Mr. Chairman.

The CHAIRMAN. Senator Cooper?

Senator COOPER. I would like to ask you in connection with the Carpenters Union—is that the correct name?

Mr. REYNOLDS. No, sir; it is United Brotherhood of Carpenters and Joiners of America, sir.

Senator COOPER. Do you remember how much business you did with the members of that union, how many policies you wrote, total value of the policies?

Mr. REYNOLDS. To the best of my knowledge, sir, the group life insurance on all members, I think, is around—it may vary from $30,000 to $32,000 a year, sir.

Senator COOPER. You may have covered this in your testimony—because I wasn't here at the first day of your testimony—but did you identify the person who suggested to you that this would be a profitable field?

Mr. REYNOLDS. I did, but I will reestablish it for you, sir.

Senator COOPER. Who was it?

Mr. REYNOLDS. O. William Blaier, who was then the second general vice president of the Carpenters International, sir. But he was living in Washington, D.C., and his office was here, sir.

Senator COOPER. I think you stated Mr. Baker did not have anything at all to do with that transaction.

Mr. REYNOLDS. That is correct, to the best of my belief and knowledge, sir.

Senator COOPER. I am not asking this question—but you say within your recollection and knowledge.

Are you not sure about it?

Mr. REYNOLDS. Sir, as far as I know. I mean, I have no reservations to evade your question—none whatsoever, sir.

Senator COOPER. I think that is all for the moment.

The CHAIRMAN. Senator Scott?

Senator SCOTT. Mr. Reynolds, there was a lot of questioning here when you were here before about the $15,000 you paid Bobby Baker, and whether you expected to get it back or not. Finally, at the conclusion of your testimony, there were questions which appear to be designed to wrap it up and close that line of inquiry. That testimony brings out that you did not, in your income tax returns, list these so-called loans as deductions or bad debts or anything of that kind. That is right, is it not?

Mr. REYNOLDS. That is correct, sir.

Senator SCOTT. And Senator Pell says:

> These are basically, though, either a gift—it was not a payment, as I understand it. It would be then gifts in your mind?

And you stated:

> I never expected to be repaid, sir. I did expect if business came in, sir, that the volume itself would offset them.

Senator Pell said:

> Then would you take it as a deduction at that time?

And you said:

No.

Now, notwithstanding what may have been asked you or what you may have answered earlier in the testimony, is that final statement of yours true and correct?

Mr. REYNOLDS. The only deductions I have ever made, sir, for this was those items shown in the check as expense accounts and et cetera, for Bobby. I never expected to deduct any portion of the so-called notes given to me, sir, as an income tax deduction.

Senator SCOTT. Because, as you testified, you never expected to be repaid, stating that:

If business came in, the volume itself would offset them.

Mr. REYNOLDS. In other words, if the premium dollar that I got, sir, my commission from it, would have far exceeded any of the so-called moneys loaned to Bobby, from his terminology, or given, from mine, for services, sir, then I would not have made any deduction at all.

Senator SCOTT. Then you would have forgotten the loans in any event?

Mr. REYNOLDS. Right, sir.

Senator SCOTT. Also, in any event, you never expected to be paid. You testified you regarded the $15,000 as services for which you were paying Bobby Baker, is that correct?

Mr. REYNOLDS. That is true, sir.

Senator SCOTT. And notwithstanding anything else said in your testimony, that is true and correct, is it not?

Mr. REYNOLDS. Yes, sir.

Senator SCOTT. I mean to say notwithstanding anything said in your testimony or any questions asked you, that is true and correct?

Mr. REYNOLDS. Yes, sir.

Senator SCOTT. Now, Major McLendon asked you at one point:

Some time after you had written or about the time that you were writing this insurance, was your attention called to the fact that a man named Huff Banes, who had been trying to write this insurance for the Senator, made a bid or procured a bid from some insurance company which was a bit more favorable than yours and involved the purchasing of advertising time on a television station.

And your answer was:

It wasn't necessarily favorable, but it was comparable.

Mr. REYNOLDS. Yes, sir. In other words, to the best of my recollection, no purpose of evading, Mr. Jenkins showed me a letter, sir.

Senator SCOTT. You had no conversation, yourself, with Mr. Huff Banes?

Mr. REYNOLDS. Never, never, sir.

Senator SCOTT. He showed you a letter from whom?

Mr. REYNOLDS. Mr. Huff Banes, sir.

Senator SCOTT. And the Mid-Atlantic check, by which you were reimbursed for a hundred dollars of your investment in advertising, you have testified is in the possession of Mid-Atlantic, is that right?

Mr. REYNOLDS. Yes, sir. In other words, when Mid-Atlantic paid me, sir, to the best of my knowledge—now, I do not have that check, sir—whatever it is, it should be in the possession of Mid-Atlantic, sir.

Senator BYRD. $160, wasn't it?

Mr. REYNOLDS. I think that is correct, sir. It was more than a hundred.

Senator SCOTT. When you sent this check to Mid-Atlantic Stainless Steel Co., to whom did you send it in the company?

Mr. REYNOLDS. Would you repeat that?

Senator SCOTT. Who was the officer of the company?

Mr. REYNOLDS. Mr. Albert G. Young, who is the president, sir.

Senator SCOTT. And you——

Mr. REYNOLDS. I personally gave it to him, sir.

Senator SCOTT. You knew Mr. Young?

Mr. REYNOLDS. Yes, sir. He is a client, substantial client of mine.

Senator SCOTT. Now, with regard to the stereo which you purchased for Bobby Baker, what was the name of the firm which installed the stereo?

Mr. REYNOLDS. There were two firms involved. One was Mulgannon, TV, Silver Spring, sir—Frank P. Mulgannon.

Senator SCOTT. Now, did this stereo for Bobby Baker come by air express?

Mr. REYNOLDS. Not for Bobby Baker, no, sir. It came by normal channels, sir.

Senator SCOTT. How was it delivered to Baker's home?

Mr. REYNOLDS. It was delivered by the Mulgannon TV Service, sir.

Senator SCOTT. And did you have any conversation with anyone regarding whether the installation was or was not satisfactory in the Bobby Baker stereo?

Mr. REYNOLDS. It was unsatisfactory. He had some problems. And the Crown Electronics Corp. were dispatched or requested, and they went out to check it. And they pulled the record player out, and replaced it with a new unit, sir. It was defective.

Senator SCOTT. And who paid for that?

Mr. REYNOLDS. For the maintenance, I did, sir.

Senator SCOTT. The apartment you rented on Missouri Avenue for the purpose of entertaining members of the Carpenters Union—do you know whether or not Bobby Baker ever used that apartment himself?

Mr. REYNOLDS. To the best——

Senator SCOTT. Had any meetings with the Carpenters Union or any other people like that?

Mr. REYNOLDS. No, sir; never, sir.

Senator SCOTT. Major, I am reading from notes, a summary of testimony—well, it is called "Summary of Testimony of Mr. Reynolds in Executive Session," I believe it is actually sort of a digest of questions which might be asked him.

Mr. MCLENDON. It is intended as a digest for members of the committee.

Senator SCOTT. The record shows that while there are other items in the notes, I believe we are pretty well agreed they are not relevant to this inquiry.

Mr. MCLENDON. I thought so. That was my opinion.

Senator SCOTT. That is all I have.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Mr. Reynolds, Mr. McLendon asked you in our previous hearing:

Now, some time after you had written or about the time that you were writing this insurance, was your attention called to the fact that a man named Huff Banes, who had been trying to write this insurance for the Senator, had made a bid and procured a bid from some insurance company which was a bit more favorable than yours, and involved the purchase of advertising on a television station.

Then he said:

Do you remember that?

Mr. Reynolds replied:

I don't remember whether it was more favorable, sir. As a matter of fact, I doubt it. It wouldn't be more favorable.

Mr. MCLENDON. Was it comparable?

Mr. REYNOLDS. Yes, it was comparable.

Mr. MCLENDON. Now, the objection of the purchase of advertising was something new——

Mr. MCLENDON. Injection.

Senator CURTIS. It is objection here.

Mr. MCLENDON. It should be injection.

Senator CURTIS. Yes. [Continuing:]

Mr. MCLENDON. Now, the injection of the purchase of advertising was something new. You never had that pointed out to you before, had you?

Mr. REYNOLDS. No, sir.

Mr. MCLENDON. Did you agree to meet that competition and purchase the advertising?

Mr. REYNOLDS. I made the statement consistent with having the privilege of writing the insurance for the then Vice President. I guess it was at that time in 1961 that I would do my best to purchase comparable advertising time, either directly for me or through someone I knew who would not purchase it if he had not known.

Mr. MCLENDON. Did you buy advertising?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. At the cost of $1,208?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. Did you sell it to someone else?

Mr. REYNOLDS. I purchased it for the name of Mid-Atlantic Stainless Steel Corp., sir.

And then they go ahead and discuss how much they recouped on it—that you recouped on it.

Now, I am not clear in these questions and answers that were put in the record—that appear in the record, just how the purchase of this television time came about.

Why did you purchase the television time?

Mr. REYNOLDS. Mr. Jenkins, in his discussion with me, showed me a letter from Mr. Huff Banes, indicating that if he had the privilege of writing—he was then Senator, sir—I think we should correct it—this was back before—that he would purchase so much advertising time on the local station, KTBC.

Senator CURTIS. Where is that station located, sir?

Mr. REYNOLDS. Austin, Tex., sir.

Senator CURTIS. By whom is it owned?

Mr. REYNOLDS. LBJ Co., sir.

Senator CURTIS. Then what was said?

Mr. REYNOLDS. And I told him that although I might not be able to do the same as far as dollar volume, that I would do the best I

could, consistent with the fact that the contract that I had offered him was the most favorable, if you exclude any question of advertising, sir.

Senator CURTIS. Well, now, at that point, was the life insurance all past history?

Mr. REYNOLDS. Yes, sir, all complete, sir.

Senator CURTIS. Were there any conversions of policies that were made after that?

Mr. REYNOLDS. They were made after that—there were purchases made afterward, sir. This was in 1957, sir.

Senator CURTIS. But more purchases of life insurance were made after that?

Mr. REYNOLDS. This is correct, sir.

Senator CURTIS. Now, after you made the payment of $1,208?

Mr. REYNOLDS. Yes, sir. I guess 4 years later, sir, three and a half years.

Senator CURTIS. Did you benefit from those further purchases?

Mr. REYNOLDS. I did, sir.

The CHAIRMAN. May I ask a question?

Was that second purchase $100,000?

Mr. REYNOLDS. Yes, sir, that is correct.

Senator CURTIS. Well, now, did you buy this advertising time to advertise your insurance business?

Mr. REYNOLDS. No, sir.

Senator CURTIS. Why did you buy it?

Mr. REYNOLDS. Because it was expected of me, sir.

Senator CURTIS. Who conveyed that thought to you?

Mr. REYNOLDS. Mr. Walter Jenkins, sir.

Senator CURTIS. Where?

Mr. REYNOLDS. In his office, sir.

Senator CURTIS. Anybody else present?

Mr. REYNOLDS. I don't believe I ever spoke to Walter in the presence of anyone else at all, sir.

Senator CURTIS. Did you just happen to go to his office?

Mr. REYNOLDS. No, sir. I was contacted by—whether Bobby or Mr. Jenkins' office, I do not remember, sir. But I went down to discuss it with him.

Senator CURTIS. You went——

Mr. REYNOLDS. At the request of either Bobby or Mr. Jenkins, to talk with Mr. Jenkins about this advertising, sir, because several months had gone by, sir, since the policy had been delivered and the premiums paid, sir. And I had not arranged to have any purchase of time on the station, sir.

Senator CURTIS. But you are sure that you were sent for and that you did not go down there?

Mr. REYNOLDS. Yes, sir—not voluntarily, sir.

Senator CURTIS. Are you sure that you did not volunteer to buy the advertising?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. May I ask a question there?

Was there any question at that time of additional insurance being purchased?

Mr. REYNOLDS. No, sir. But I might state categorically that I hoped by doing this it would develop goodwill, sir, and the fact that should the occasion occur later, that they certainly would give me a primary consideration for further purchase of life insurance, sir—of my goodwill and intent, sir.

Senator CURTIS. Now, the first insurance that was purchased was term insurance?

Mr. REYNOLDS. No, sir, it was permanent life, sir.

Senator CURTIS. Well, then, when it was converted at a later time, and you obtained some more commissions from it, how was it changed—from what to what?

Mr. REYNOLDS. The original purchase in 1957, sir, consisted of two policies—both permanent life insurance, at the inception, sir. But the purchase in 1961, sir, was for a hundred thousand dollars renewable annual term policy.

Senator CURTIS. That was an additional purchase?

Mr. REYNOLDS. That is correct, sir. And that was subsequently, in 1963, sir, converted retroactively to the date of issue of the term policy to permanent life.

Senator CURTIS. Well, then, apparently we didn't quite have a meeting of minds when I asked awhile ago that at the time of the purchase of the life insurance, or at the time of the purchase of the television advertising—I asked if the life insurance was all past history.

The real answer is that part of it was, but you did more business after.

Mr. REYNOLDS. That is correct, sir.

Senator CURTIS. Well, whose idea was it that you might, if you could not use the advertising, sell it to somebody else?

Mr. REYNOLDS. This was my idea, sir. Because I saw no use whatsoever for Don Reynolds, who was unknown in Texas, buying time and space, and to bore the people down there, sir, to listen to something they had no interest in, nor could they.

Senator CURTIS. So you talked to your neighbor, Mr. Young?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Who was selling pots and pans?

Mr. REYNOLDS. That is correct, sir.

Senator CURTIS. Did Mr. Young ever talk to Mr. Reynolds—or to Mr. Jenkins?

Mr. REYNOLDS. Mr. Young stated to me that he called and talked to Mr. Jenkins on several occasions, sir. I was not present.

Senator CURTIS. And were you present any time that he went to see him, if he did?

Mr. REYNOLDS. No, sir.

Senator CURTIS. Well, then, do you agree or disagree with this statement of Jenkins that Mr. McLendon, our counsel, has put in the record, as a statement, not of oral testimony but sworn to before a notary public:

> Nor does he have any knowledge of any arrangements by which Reynolds purchased advertising on the TV station.

You would disagree with that?

Mr. REYNOLDS. Completely, sir.

Senator CURTIS. Now, since this has been raised and put in the record, I think you should tell the best you can just what was said by

both parties when you reported that you were asked to go see Mr. Jenkins.

Mr. REYNOLDS. I don't remember any of the details whatsoever as to what was said in the conversation. I just said I would go, sir.

Senator CURTIS. I mean after you got there.

Mr. REYNOLDS. Oh, I see what you mean.

To the best of my recollection, sir, he said, "You have failed to purchase any time on the radio television station."

Senator CURTIS. That you had failed.

Go ahead.

Mr. REYNOLDS. And what were my intentions, sir?

And I told him I was looking for someone that I could purchase time with and stand some chance of recouping up to the full extent of the cost of the amount that I would agree to purchase the time, sir.

Senator CURTIS. Well, then, you had heard about purchasing time before?

Mr. REYNOLDS. If I had heard, it was indirectly through Bobby, but not through Mr. Jenkins, sir.

The CHAIRMAN. You said you had failed to live up to it. So you had agreed to purchase some time way back of that?

Mr. REYNOLDS. Well, Senator Jordan, I don't think I had agreed. I think I told Bobby, to the best of my knowledge, that I would try to work out something so that the radio television station would have some benefit from me that they would not have gotten had I not arranged it.

Senator CURTIS. Well, now, when you told Bobby that, who brought up that idea of you buying television time down there—you or Bobby?

Mr. REYNOLDS. I did not, sir.

Senator CURTIS. You did not?

Mr. REYNOLDS. No, sir.

Senator CURTIS. And then when you came to Mr. Jenkins' office, he asked you why you had not purchased it?

Mr. REYNOLDS. That is right, sir.

Senator CURTIS. That is when you told him that you were hoping to——

Mr. REYNOLDS. To make other arrangements.

Senator CURTIS. To resell it, so to speak, so that you could get something out of it?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. Well, when I asked you who brought up this question of buying television or radio time you said you did not know.

Mr. REYNOLDS. That is right, sir.

Senator CURTIS. Well, did Baker?

Mr. REYNOLDS. Sir, I am not completely—it is fuzzy in my mind, whether a call from Mr. Jenkins' office or from Bobby—but one of the two brought it up, sir.

Senator CURTIS. How did you transmit your check for $1,208 to the television station?

Mr. REYNOLDS. It was done by two checks, sir.

Senator CURTIS. Well, how did you do it?

Mr. REYNOLDS. There was one check for $1,000, sir, that I made jointly to KTBC and Mid-Atlantic Stainless Steel as a deposit, not knowing how much the final bill would be, sir, for the allocated space

time, because I was unaware of what Mr. Young had arranged as the final arrangement for the purchase of time, sir. And when the final bill was received, I sent a second check to Mr. Young, who had received the bill, sir, for the space for $208, made out jointly to the Mid-Atlantic Stainless Steel Co. and to the station KTBC, sir.

Senator CURTIS. And in both cases, were both checks endorsed by both payees?

Mr. REYNOLDS. They were, sir.

Senator CURTIS. Mr. Reynolds, one other question, on another subject.

Since you have been interviewed by the staff of this committee, particularly since you appeared here before in executive session on January 9, have any remarks been made to you that might imply threats concerning your testimony?

Mr. REYNOLDS. Implied; yes, sir.

Senator CURTIS. Will you tell us what they were?

Mr. REYNOLDS. Mr. Tucker, Mr. Baker's partner, in discussing some of the business aspects of the Carousel insurance, sir, made a statement to me that, "You better be damned sure what you are saying, because you might get hanged."

Mr. MCLENDON. Might get what?

Mr. REYNOLDS. Might get hanged, sir.

Senator CURTIS. Was that a telephone conversation?

Mr. REYNOLDS. It was, sir.

Senator CURTIS. Did you call him?

Mr. REYNOLDS. I returned a call to him, sir.

The CHAIRMAN. Well, did he mean by that he didn't want you to tell the truth?

Mr. REYNOLDS. Senator Jordan, I am not sure what Tucker meant, because he talks out of both sides of his mouth at the same time, sir.

Senator CURTIS. I believe that is all I have.

The CHAIRMAN. Senator Cooper?

Senator COOPER. Am I correct in saying that according to your testimony that you have given, in your negotiations for the sale of insurance to the then Senator Johnson, that you never talked to him about it or had any negotiations with him?

Mr. REYNOLDS. Only on one occasion, sir, which I think was in the record. That was when I was lucky enough to get the first $50,000 policy, sir, to the best of my recollection, Bobby called him off the Senate floor and I gave to him at that time the $50,000 policy, sir. And he made a statement that he was going to rib his colleagues from Texas——

Mr. MCLENDON. What was that?

Mr. REYNOLDS. The then Senator Johnson made a little comment that he was going to rib his bigshot friends from Texas with all their vast empire of insurance they were unable to insure him, and a country hick came up here from South Carolina and got it from him, sir.

Senator COOPER. I think you said this discussion about the advertising occurred after you sold the policy, and after you had been paid the premium.

Mr. REYNOLDS. That is correct, sir. The first policy, sir.

Senator COOPER. And while I am on my questioning, now, at the time you had this first—as you say, as you have testified—you had

this discussion about the purchase of advertising, that was after you had sold the policy to Senator Johnson and had been paid the premium?

Mr. REYNOLDS. That is correct, sir.

Senator COOPER. And am I correct in saying from your testimony at that time there was no discussion of any future purchases of policies?

Mr. REYNOLDS. That is correct, sir. There was none whatsoever at that time.

Senator COOPER. I think that is all for the moment.

Senator SCOTT. May I just follow up on something?

Mr. Reynolds, since your testimony in executive session, have you received any other threats, direct or implied?

Mr. REYNOLDS. I cannot construe them as such, sir.

Senator SCOTT. Have you had any other conversations with Tucker or with Baker?

Mr. REYNOLDS. Since my testimony, sir?

Senator SCOTT. Yes.

Mr. REYNOLDS. No, sir.

Senator SCOTT. Before, in the 2 weeks preceding your testimony, did you have any conversation with Tucker or Baker?

Mr. REYNOLDS. Previous to this becoming public knowledge, sir, I had a conversation with Bobby.

Senator SCOTT. And will you tell us what that conversation was?

Mr. REYNOLDS. I indicated to Bobby that I had reason to believe that Mr. Hill was going to file a lawsuit.

Mr. MCLENDON. That what?

Mr. REYNOLDS. That Mr Hill would file a lawsuit against him. And I suggested that he settle it out of court, and not wash his clothes in front of the public, sir.

Senator SCOTT. What did he say to that?

Mr. REYNOLDS. He said that I shouldn't bother him with petty problems like that—he had more important things to do, and Mr. Hill was psychotic, and he was not going to be blackmailed, sir.

Senator SCOTT. Have you received any notes or messages from any anonymous persons regarding your testimony?

Mr. REYNOLDS. Not that I can identify, sir.

Senator SCOTT. The word "anonymous" means you cannot identify it.

You mean you have not received——

Mr. REYNOLDS. I have received a couple of crackpot calls, sir. But I believe, sir, this is normal when any controversial issue comes up, that you do have legitimate crackpots calling you and making weird calls, sir.

Senator SCOTT. In your earlier testimony——

Mr. MCLENDON. Senator, excuse me just a minute.

You get your head so far away from the microphone down there, it is hard to hear here.

Senator SCOTT. He referred to legitimate crackpots.

I am not sure how you define that.

Mr. REYNOLDS. I am not sure either, sir. But I didn't attach it to any person that I thought I knew.

Senator SCOTT. In your earlier testimony, you told of going to a Miami party given by Clint Murchison and meeting Leonard Burstein there who was excited about the MGIC stock and tried to get you to buy some of that stock, and you did not buy it. And then, as I recall the testimony, you accompanied Webb and Burstein on a visit to Mr. Miller Stout, District of Columbia Insurance Commissioner.

Can you tell us what occurred at that meeting?

Mr. REYNOLDS. They wished, according to what they had told me, to have that company admitted to the District of Columbia to do business, sir. And it was quite unsuccessful.

Senator SCOTT. That proposal did not succeed?

Mr. REYNOLDS. It did not, sir.

Senator SCOTT. Do you know the name of the company?

Mr. REYNOLDS. No, I do not. I cannot—I know it was a mortgage guarantee company.

Senator SCOTT. You mean it was MGIC?

Mr. REYNOLDS. I am not conversant enough with the title as it existed at that time.

Now, I know, in retrospect, sir, it should have been MGIC.

Senator SCOTT. In view of what developed, you know the company they were talking about was MGIC?

Mr. REYNOLDS. Was identified as such.

Senator SCOTT. Who else was present on that visit?

Mr. Baker?

Mr. REYNOLDS. No, sir.

Senator SCOTT. Tucker?

Mr. REYNOLDS. No, sir.

Senator SCOTT. Anyone else present?

Mr. REYNOLDS. No, sir; not to my knowledge.

Senator SCOTT. So that the only people in the room were you and Webb and Burstein, and Mr. Miller Stout, the District of Columbia Insurance Commissioner?

Mr. REYNOLDS. Right, sir.

Senator SCOTT. And was the Commissioner there because of an interest in the company or was he there to give advice as to whether or not the company could qualify to register?

Mr. REYNOLDS. To the best of my recollection, sir, this company had been denied admission previously.

Senator SCOTT. What do you mean by his company?

Mr. REYNOLDS. That is this Mortgage Guaranty Insurance Co.

Senator SCOTT. You mean——

Mr. REYNOLDS. Mr. Stout had denied—he and Mr. Jordan had not granted permission for them to do business in the District of Columbia. And they were there trying to find out what they could do to have it admitted in the District of Columbia.

Senator SCOTT. And they were not successful?

Mr. REYNOLDS. That is correct; sir.

Senator SCOTT. That is all I have.

Senator CURTIS. One question about the contractor's bond for building the stadium.

Was that bond written in the company that you had ordinarily handled in your office?

Mr. REYNOLDS. No, sir.

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

Senator CURTIS. The commission was shared with a Philadelphia——

Mr. REYNOLDS. I was paid a brokerage fee, sir, instead of a general agent's contract, which I might have gotten.

Senator CURTIS. Were you authorized and licensed and were your companies authorized to write that bond if——

Mr. REYNOLDS. If it had been awarded to me; yes, sir.

Senator CURTIS. What was the name of this Philadelphia company?

Mr. REYNOLDS. Hutchinson Rivinus, I believe, sir.

Senator CURTIS. They wrote it in two companies that you did not represent?

Mr. REYNOLDS. I did not represent them at all; sir.

Senator CURTIS. Were either of those insurance—either of the names mentioned in that insurance firm in Philadelphia, or any one connected with that insurance firm, related or connected to McCloskey, the contractor?

Mr. REYNOLDS. Yes, sir.

Sentor CURTIS. Tell us about that.

Mr. REYNOLDS. May I get a note, sir? May I look at my notes, sir?

Senator CURTIS. Yes, sir.

Mr. REYNOLDS. Mr. James B. McHale, Jr., who is the son-in-law of Mr. Matt McCloskey, sir.

Senator CURTIS. Where did you get that information?

Mr. REYNOLDS. From Mr. McHale, sir.

(At this point, Senator Byrd entered the hearing room.)

Senator CURTIS. Could they have written it directly?

Mr. REYNOLDS. I don't understand.

Senator CURTIS. Could they have written it directly without taking you in as a broker?

Mr. REYNOLDS. Surely, sir.

Senator CURTIS. Here in the District of Columbia?

Mr. REYNOLDS. I feel reasonably sure they had a nonresident broker's license here, also, sir, the same as I do.

Senator CURTIS. And this arrangement was made when several people were at Mr. Robert Baker's office?

Mr. REYNOLDS. I think the arrangement was made, sir, not in the presence of our being there at all. I think the question—whatever arrangements were made, sir, for the purchase of the bond, were not made in the presence of that little meeting, sir, at all.

I think it was Mr. McCloskey agreed to it directly with Mr. Baker, sir. I must assume that, sir, because I have no knowledge.

Senator CURTIS. And then at the meeting, Mr. Baker was the one that said it could be written by your company?

Mr. REYNOLDS. He said to Mr. McCloskey, "Don is in the insurance business, and he would like the privilege of writing a performance bond, sir."

But I am sure that no commitment was given.

Senator CURTIS. Did McHale know or have you ever informed him that a payment was made by you to Robert Baker for $4,000?

Mr. REYNOLDS. No, sir.

Senator CURTIS. Or that a payment was made to McLeod, of the House District Committee, for $1,500?

Mr. REYNOLDS. No, sir.

Senator CURTIS. But both of them were at the meeting?
Mr. REYNOLDS. Yes, sir. But Mr. McHale was not, sir.
Senator CURTIS. But Mr. McHale was not.
I think that is all.
The CHAIRMAN. Senator Byrd?
Senator BYRD. I have no questions, Mr. Chairman.
Senator COOPER. With regard to the meeting you had in Mr. Baker's office with reference to the performance bond, was that after the contract had been awarded to Mr. McCloskey or before?
Mr. REYNOLDS. No, sir; it was long before, sir—to the best of my recollection.
Senator COOPER. Was it before or after legislation had been passed respecting the stadium?
Mr. REYNOLDS. I am not sure it was completed, sir. I am not positive, sir.
Senator COOPER. I think you testified that you handled the transactions as a broker rather than an agent?
Mr. REYNOLDS. That is correct, sir.
Senator COOPER. Is that a normal insurance transaction, to act as a broker?
Mr. REYNOLDS. If you are both; yes, sir. If you are both an agent and a broker, sir, you get business from both sides. It is. You can be both, sir. In other words, for companies I do not represent, sir, if a client wishes it, then I try to book it through an agent, that represents that company.
Senator COOPER. Now, acting as a broker, were you representing Mr. McCloskey?
Mr. REYNOLDS. No, sir.
Senator COOPER. What?
Mr. REYNOLDS. No, sir.
Senator COOPER. How would you define your capacity in which you acted? You were not representing the company, you said.
Mr. REYNOLDS. Right, sir.
Well, when you define it in terms of this, I had to represent someone, so it ultimately would become Mr. McCloskey—or McCloskey Construction Co., sir, that I was representing, because they are the people who pay me the premium, sir.
Senater COOPER. You received a commission of about $10,000?
Mr. REYNOLDS. $10,000-plus, sir—$300 or $400—I don't remember the exact amount.
Senator COOPER. From that commission you paid Mr. Baker $4,000?
Mr. REYNOLDS. Yes, sir.
Senator COOPER. And Mr. McLeod $1,500?
Mr. REYNOLDS. Yes, sir.
Senator COOPER. In your records you represented that you had paid Mr. McLeod $1,500 for legal fees?
Mr. REYNOLDS. That is correct, sir—the checks were drawn to Mr. McLeod, to the best of my recollection, to show for legal services, I believe.
Senator COOPER. I believe you stated that you knew at the time that it did not represent any payment for legal fees.
Mr. REYNOLDS. That is correct, sir.

Senator COOPER. And at the time you paid Mr. Baker, or later, he gave you a note representing——

Mr. REYNOLDS. The check that I gave him, sir.

Senator COOPER. A purported loan of $4,000?

Mr. REYNOLDS. Yes, sir.

Senator COOPER. From him to you?

Mr. REYNOLDS. Yes.

Senator COOPER. I think you have stated that you knew and have known since that it was not a loan transaction.

Mr. REYNOLDS. Sir, I paid this check personally. I gave this check to Bobby on my personal account, sir. I never made any expense deduction from my personal account for this. I knew that I was giving it to Bobby.

Senator CURTIS. The same applied to the payment to McLeod?

Mr. REYNOLDS. No, sir. In Bill McLeod's case, he was a lawyer, reputed lawyer, sir, and he said that I should set it up on my books as a legal fee, so that I could take it as an expense, which I did, sir, $1,500, put into separate years—$1,000 1 year and $500 the next, for legal expense, sir.

Senator CURTIS. But there were no legal services rendered?

Mr. REYNOLDS. That is correct, sir.

Senator CURTIS. And I believe you testified it was for his help in getting the stadium bill through the House.

Mr. REYNOLDS. That was part of it, sir, plus the fact that I had known Bill about 15 or 20 years, sir, when he was working in the District Committee, and on many occasions, sir, I would ask Bill to help in small minor matters, help someone else, or in isolated cases even myself, sir, and he would always try to do what he could.

Senator CURTIS. What sort of things?

Mr. REYNOLDS. Well, for example, if there was a person trying to obtain consideration in the District of Columbia, whether it was a minor traffic violation, or whether it was a person that needed someone to help guide him, I asked him would he look into it and see if anything could be done, sir.

Senator COOPER. Are you a resident of the District of Columbia?

Mr. REYNOLDS. No, sir.

Senator COOPER. Do you pay taxes here?

Mr. REYNOLDS. No, sir. I pay in Maryland, sir. I pay corporate tax.

Senator COOPER. In Maryland, are you required to pay taxes on intangible property?

Mr. REYNOLDS. Intangible, sir?

Senator COOPER. Yes.

Mr. REYNOLDS. I am not quite familiar with that, sir.

Senator COOPER. Well, a note is a piece of intangible property.

Senator SCOTT. Promissory note.

Mr. REYNOLDS. I think Mr. FitzGerald could answer that.

Senator COOPER. Is there any requirement that you know that you pay taxes on a promissory note?

Mr. REYNOLDS. No, sir, you do not. Mr. FitzGerald, my attorney, has informed me, sir.

Mr. FITZGERALD. Your taxes, Senator, would be based on cash income, not on a net proof.

Senator COOPER. You are not required in the State of Maryland, in any subdivision of the Government, whether State, local government, to list an unpaid promissory note?

Mr. FITZGERALD. No, sir, the only thing would be that Montgomery County requires a tangible personal property tax, but that is tangible personal property, and only against a business institution.

Senator COOPER. What did you do with that note Mr. Baker gave you?

Mr. REYNOLDS. It was turned over to the accountant, sir.

Senator COOPER. What?

Mr. REYNOLDS. It was turned over to my accountant, sir.

The CHAIRMAN. Has he still got it?

Senator COOPER. Is there any way you were required to account for notes, any kind of a transaction? Did you ever treat it as a note, an unpaid obligation to you from Mr. Baker?

Mr. REYNOLDS. No, sir.

Senator COOPER. I believe you testified that in your income tax returns that you did not treat this—you treated it—how did you treat it?

Mr. REYNOLDS. I paid tax on it, sir. I did not take any deduction whatsoever for it, sir.

Senator COOPER. I am concerned with your testimony. You have testified that you took a note from Mr. Baker at the time that you—when in your own knowledge you were paying him $4,000 for some kind of service, and that you paid Mr. McLeod $1,500 for services which you say are not legal services, and yet you characterize it as legal services.

Why did you do that?

Mr. REYNOLDS. Mr. McLeod, sir, had never been associated with me in business whatsoever.

Mr. COOPER. What?

Mr. REYNOLDS. Mr. McLeod had never been associated with Don Reynolds Associates in any capacity whatsoever, sir. And when the question came up how he could pick it up as income, since he was a law partner, he suggested that he bill me for legal services, and that my check to him should indicate that, which I went along with, sir.

Senator COOPER. Have you claimed that payment to him on any income tax return as a deduction?

Mr. REYNOLDS. In 2 separate years, it shows $1,000 of that as a legal fee, and the following year shows, I am sure, $500 as a legal fee, sir.

Senator COOPER. You claimed it in terms of legal services?

Mr. REYNOLDS. Yes, sir.

Senator COOPER. That is all.

Senator SCOTT. Mr. Chairman—you have, however, testified with regard to Bobby Baker that you did not solicit notes, that you did not want notes, that you did not regard it as a loan, that Mr. Baker indicated he had his own reasons for wanting to give you notes. Is that correct?

Mr. REYNOLDS. Yes, sir.

Senator SCOTT. That is all.

Senator COOPER. I want to know—can you state what you paid Mr. Baker the $4,000 for? What was it paid to him for?

Mr. REYNOLDS. Bobby had—from the time he was associated with me—had indicated that he was working on behalf of developing business for Don Reynolds Associates, and for Don B. Reynolds as a life insurance agent, sir—operating in two capacities. My life insurance business is handled by me as an individual, Don B. Reynolds, with a separate company, sir. It has no connection whatsoever to do with Don Reynolds Associates. This is a general insurance business. And Bobby had indicated that by having produced Senator Johnson, that he had access to top clients for me, that he would introduce me around. And when I met Mr. McCloskey, sir, and I got this performance bond, it was prima facie evidence to me of his ability to get and produce for me, and it was for the services rendered, sir.

Senator COOPER. Had you made many payments before the payment of $4,000?

Mr. REYNOLDS. Yes, sir; small amounts, I had, sir—at times that he was in financial difficulty.

Senator COOPER. Was the payment of $4,000 made specifically for the item of business, very considerable, connected with the performance bond of Mr. McCloskey?

Mr. REYNOLDS. I cannot say 100 percent, sir, that the figure was arrived at. Bobby needed it for his income tax time, sir. He told me how much he needed. Or it was for payment on land that he and the Novaks were purchasing in Ocean City, Md., and he needed a specific amount. And I agreed to go along and help him.

Senator COOPER. My own reading of the testimony, about the reference to insurance policies—I think I should state this. As I understand from all the testimony, you never discussed the question of advertisement or the stereo, whatever it was, with the then Senator Johnson?

Mr. REYNOLDS. That is correct, sir.

Senator COOPER. He never talked to you about it?

Mr. REYNOLDS. Never, sir.

Senator COOPER. He never asked you to do this?

Mr. REYNOLDS. No, sir. I never had any conversation whatsoever with the then Senator, sir.

Senator COOPER. That is all.

Senator CURTIS. One question.

Do you, of your own knowledge, have any information pertaining to the acquiring by Robert Baker of his house in Washington, his present residence?

Mr. REYNOLDS. None whatsoever, sir.

The CHAIRMAN. Mr. Reynolds, may I ask you just one question?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. You or some agent of yours still has in your possession, or their possession, these notes given you by Bobby?

Mr. REYNOLDS. Sir, Mr. FitzGerald, I guess, must have them.

The CHAIRMAN. Well, that being the case, if he is solvent, they are collectible, if you should try to collect them.

Mr. REYNOLDS. Sir, I question whether he is solvent or not.

The CHAIRMAN. That doesn't answer my question.

If he is solvent, they are collectible, if you try to collect them?

Mr. REYNOLDS. I think if I tried to collect them, sir, if I had an audit made of what I produced and all by Bobby's effort, and claimed the

difference, sir—we had a tacit agreement, the moneys given to Bobby for his efforts, sir, if the amount that he helped me produce, sir, that is from premium dollars that accrue to me, sir, did not offset the total amount of money that had been extended to him, that that portion only would be collectible from him, sir. So there was no question in my mind at any time that I had no legitimate claim to Bobby for all of the moneys that are in point, Senator.

The CHAIRMAN. Well, but that still comes back to the same question.

If I give you my note, regardless of what it is for, if I am financially able to pay it, it is a good note, regardless of whether there is any tacit agreement of whether I owe you anything or not.

Mr. REYNOLDS. Sir, I am not familiar with the legal aspects at all, nor have I made any effort.

The CHAIRMAN. That is all.

Senator COOPER. I want to ask a question.

How long after you consummated this deal for the sale of the performance bond was it until Mr. Baker asked you or suggested to you that you pay him $4,000?

Mr. REYNOLDS. Sir, I think before I was even paid, he indicated—before I was even paid for it, sir—I think he indicated that he needed some money for a quarterly estimated income tax, or for this land, and he needed it bad, sir.

Senator COOPER. I mean was it after the meeting you held with Mr. McCloskey, that he suggested that you pay him $4,000?

Mr. REYNOLDS. Yes, sir. And it was approximately at the time I received payment from the McCloskey Co., sir.

Senator COOPER. Then you went up to this meeting, without any knowledge that you were going to get a very big premium—you were going to sell a large performance bond, which would eventually result in a payment to you of a premium of over $10,000—without any knowledge at all about the discussion you were going to have up there in the office?

Mr. REYNOLDS. That is right.

Senator COOPER. You didn't know anything about it?

Mr. REYNOLDS. May I tell you, sir—you were absent the first time I was here. My original purpose, Senator Cooper, was, I was on the cultural development committee of the Washington Board of Trade, sir. And since John McMillan had been my friend, I was interested in trying to help the District of Columbia develop itself along cultural lines. And my first attempt, sir, was to try to help to get a real cultural center which would have consisted of an opera, a place for ballet, and for teaching of kids, similar to what they have in Europe, sir, that I had had the privilege of seeing.

And my reception was not very good on that item, sir.

So when I heard of the stadium question coming up, sir, I had no conception whatsoever of any performance bond or any insurance connected with it. My first contact was to try to help the District of Columbia get it, sir.

Senator COOPER. My question is, Before you had the meeting with Mr. McCloskey, Mr. Baker, and others, you had had no discussion with any of these persons about the possibility of your securing this sale of the performance bond?

Mr. REYNOLDS. To the best of my knowledge and belief, sir, recollection, I have no knowledge of having discussed this.

I know that Bobby said he wanted me to meet Matt McCloskey, who would like to bid on the stadium, sir, and he would be a good man for me to know, sir.

Senator COOPER. He had not discussed with you prior to the meeting the possibility of your selling this bond?

Mr. REYNOLDS. No, sir, I don't think he suggested the bond. I am not sure that Bobby knew about the bond—that is the necessity of it, at that stage, sir.

Senator COOPER. And he had never discussed with you prior to this meeting any arrangement whereby you would pay him if he assisted you in securing the sale of the bond?

Mr. REYNOLDS. No, sir. It was always understood, since Bobby was vice president of my company, sir, from the founding day, the secretary-treasurer, one of the two, that any time he would produce business for my company, sir, that I certainly would give him a justifiable reward for his effort.

Senator COOPER. Then you went up there with the idea that if some business resulted from this meeting, which was financially helpful to you, that you would probably compensate Mr. Baker?

Mr. REYNOLDS. It goes without saying I would have, sir, and I knew that I would have.

Senator COOPER. That is all.

The CHAIRMAN. Senator Byrd?

Senator BYRD. I just want to clarify this in my own mind.

Mr. Reynolds, you did not take any deduction on the $4,000 as an expense or as a loss?

Mr. REYNOLDS. That is right, sir.

Senator BYRD. You paid——

Mr. REYNOLDS. Income tax.

Senator BYRD (continuing). Income taxes on the $4,000?

Mr. REYNOLDS. That is right, sir.

Senator BYRD. I understand that you are presently holding promissory notes, a note or notes, which includes this $4,000; is that correct?

Mr. REYNOLDS. That is correct, sir.

Senator BYRD. So it is within the realm of possibility that you could at some future time collect the $4,000 from Mr. Baker; is that correct?

Mr. REYNOLDS. If Bobby wishes to give it to me, yes, sir, absolutely.

Senator BYRD. Whether or not Mr. Baker wishes to give it to you, you are holding a promissory note from him, and at the time of the maturity, if he has not paid it it would be within the realm of possibility that you could collect on it.

Mr. REYNOLDS. Not knowing myself how I feel, sir, because this would be incorrect. I know that when I made this to Bobby I never intended to try to collect it from him, sir.

Senator BYRD. Then why didn't you deduct—why didn't you take some deduction on it, rather than pay income tax on it?

Mr. REYNOLDS. Sir, I didn't want to have any complications with the Internal Revenue. And I was not familiar with what could and could not be, and my accountant told me, based on his advice, "Go ahead and pay the tax on it, so if any question should ever come up, you are in the clear."

Senator BYRD. Then why are you continuing to hold the promissory notes?

Mr. REYNOLDS. Sir, I would give them to anyone who wishes them—the reason being it was Mr. Baker's request, even the last one he gave, sir, in October this year. It was his arrangement with my accountant. I did not make any effort to obtain them, sir.

Senator BYRD. Thank you.

Senator SCOTT. If Mr. Baker were to ask you to destroy the notes, so far as the value is concerned, would you destroy them?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. Major?

Mr. MCLENDON. You answer that question because you don't think you can collect them, or because——

Mr. REYNOLDS. Sir, I don't——

Mr. MCLENDON. Just a minute, let me finish my question.

Did you answer Senator Scott's question because you don't think you could collect them, or because you never intended to collect them?

Mr. REYNOLDS. Well, not knowing exactly how much I would be entitled to collect, sir, I would make no effort. And, item No. 2, knowing how Bobby has always been hard-pressed financially in the past—I don't know his recent history, sir—whether I could, if I wished to.

Mr. MCLENDON. Is that your explanation to Senator Scott's question?

Mr. REYNOLDS. I believe it is as clear as I can make it, sir. If you wish further clarification——

Senator SCOTT. You never regarded the loans as representing an indebtedness of Bobby Baker to you, did you?

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

The CHAIRMAN. All right, thank you.

Mr. MCLENDON. Do you remember the date that you were interviewed by representatives of the Internal Revenue Service?

Mr. REYNOLDS. No; I do not, sir.

Mr. MCLENDON. Your affidavit, from which you testified at the last meeting, was dated in November 1963. Do you remember that?

Mr. REYNOLDS. The affidavit was made up subsequently to their visit, sir.

Mr. MCLENDON. And the last note that Baker gave you, you testified from an exhibit at the last hearing, was dated October 15, 1962; is that right?

Mr. REYNOLDS. Yes, sir.

Mr. MCLENDON. And you know Baker resigned from the position as secretary to the majority on October 4, do you not?

Mr. REYNOLDS. I don't remember the date, sir, but I know something had already happened in this sphere.

Mr. MCLENDON. What is your explanation for accepting a new note partly in renewal of a previous note, and partly for other money advanced, according to your statement, as late as October 15, 1963, the note that day being $4,764?

Mr. REYNOLDS. Major, I never asked for it, nor did I ever have it in my possession, sir.

Mr. MCLENDON. I understand that. But why would you accept a note at all at that late date, after all this matter had been disclosed?

Mr. REYNOLDS. Sir, Bobby called and said he wanted to meet with my accountant, to straighten everything out.

Mr. McLendon. So your answer is that you accepted because he asked you to accept it?

Mr. Reynolds. That is correct.

Mr. McLendon. I would like to get one little matter clear, so that the record will be clear and understandable to everybody.

At your last hearing, you presented a copy of your check payable to the KTBC radio and television station and the Mid-Atlantic Stainless Steel Co. in the amount of $1,000, dated October 18, 1957. Do you recall that?

Mr. Reynolds. Yes, sir.

Mr. McLendon. And you testified this morning that in addition to that check, you gave them another check for $208.

Mr. Reynolds. Yes, sir.

Mr. McLendon. Do you recall that?

Mr. Reynolds. Yes, sir.

Mr. McLendon. Now, that $208 check has never been presented to the committee.

Mr. Reynolds. Mr. FitzGerald has it.

Mr. McLendon. Do you have it?

Mr. FitzGerald. Yes, sir.

Mr. McLendon. Suppose you let us have it to complete the record.

Mr. FitzGerald. There is a handwritten notation identifying the payee on there, which is not in my handwriting, Mr. McLendon. But that is a photostat, I believe, received from the bank.

Mr. McLendon. Now, this check, Mr. Reynolds, bears date of March 1, 1958, does it not?

Mr. Reynolds. Yes, sir.

Mr. McLendon. And to whom is it payable?

Mr. Reynolds. Station KTBC and Mid-Atlantic Stainless Steel Co., sir.

Mr. McLendon. And on the bottom is a notation of what it is for.

Mr. Reynolds. Yes, sir.

Mr. McLendon. What does it say?

Mr. Reynolds. "Advertising, radio–TV."

Mr. McLendon. Now, this check, plus the one that you have already identified and introduced at your last examination, does constitute the payment of the total $1,208?

Mr. Reynolds. Yes, sir.

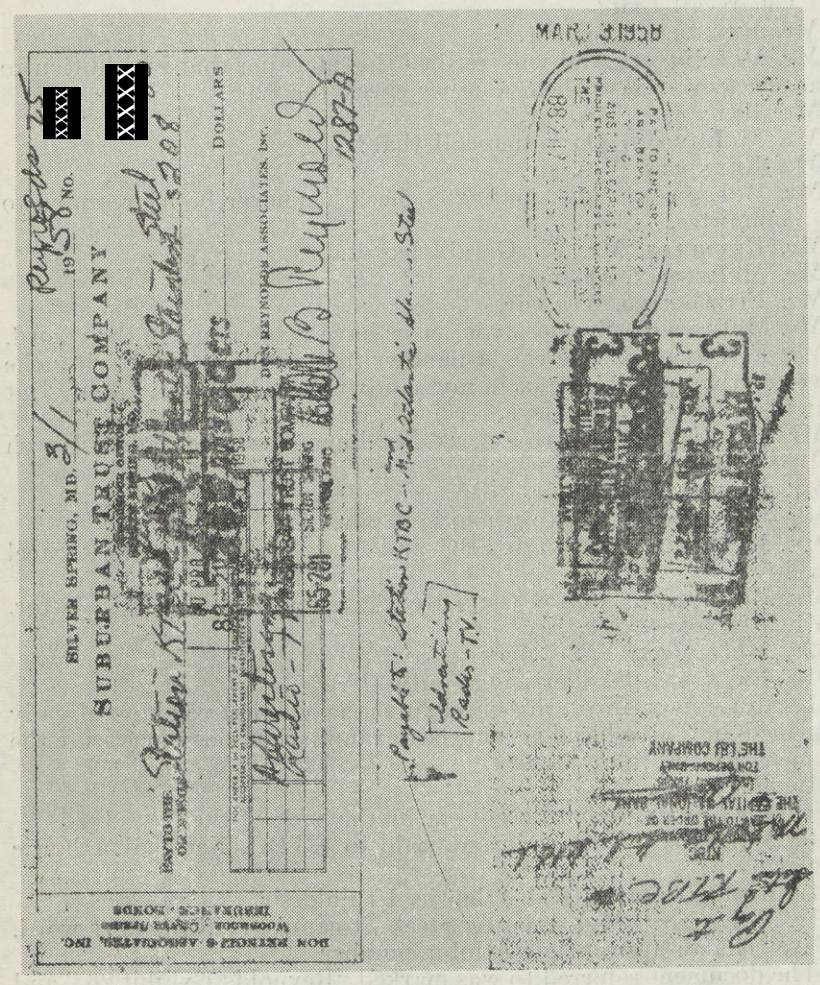
Senator Curtis. What does it say on the back of that?

Mr. McLendon. It is endorsed, paid to KTBC, National Atlantic Steel Co.

Mr. Reynolds. It is Mid-Atlantic, I think, sir.

Mr. McLendon. Mid-Atlantic Steel. I cannot read the next word. Give that an appropriate exhibit number.

(The document referred to was marked "Reynolds Exhibit 26," and is as follows:)



REYNOLDS EXHIBIT 26

Mr. McLENDON. Now, let's get the chronology straight, Mr. Reynolds.

The first life insurance policy that you sold to Senator Johnson was dated in February 1957. You recall that?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. You previously testified to that.

And in the same month a second policy in the same amount of $50,000 was delivered.

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. The last policy, for $100,000, was not issued until some time in 1961.

Mr. REYNOLDS. That is correct.

Mr. McLENDON. And all of this advertising matter about which you have testified, and the checks which have been introduced into evidence, transpired in 1957 and early 1958?

Mr. REYNOLDS. That is correct, sir.

Mr. McLENDON. The last $100,000 policy, as I recall it, was upon application by the Senator himself directly to the company, and it was handled through you and Mr. Samson, the general manager in Washington, and you got the benefit of it as agent for the company.

Mr. REYNOLDS. Sir, I would like to clarify that.

I went to Mr. Walter Jenkins' home, off of Connecticut Avenue, to pick up the application and the check itself for the original hundred thousand dollars worth of renewable term. I turned that over to Mr. Samson. And I also obtained additional medical requirements.

Mr. McLENDON. And that was in 1961?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. The conversion of the original policies from term insurance to more permanent type occurred in 1962, did it not?

Mr. REYNOLDS. 1963, sir.

Mr. McLENDON. Now, that is the chronology, is it, with respect to the issuance of these policies?

Mr. REYNOLDS. Yes, sir.

Mr. McLENDON. I believe that is all, Mr. Chairman.

The CHAIRMAN. Are there any other questions?

Mr. McLENDON. I would like to call the attention of the committee to the fact that this check for $1,000 about which Mr. Reynolds has been testifying is in his original testimony.

Senator CURTIS. Who is that to?

Mr. McLENDON. That is payable to the television station and the Atlantic Stainless Steel Co. Payable to both.

Senator CURTIS. Both checks were?

Mr. McLENDON. No, sir. The second one just introduced there—is it payable the same way?

Mr. REYNOLDS. Yes, sir.

Senator CURTIS. How is the first one endorsed?

Mr. McLENDON. Endorsed Mid-Atlantic Steel Co., and then there is a stamped endorsement of KTBV Radio and Television Co. It is endorsed by both payees.

The reason the other check wasn't in the record is because we did not get it until this morning.

Do you want to excuse this witness now, Mr. Chairman?

The CHAIRMAN. Mr. Reynolds, so far as I know, we are through with your services right now.

Senator SCOTT. May I ask just one final question?

Mr. Reynolds, you have no objection to appearing in open hearing, have you, if the committee decides to do that?

Mr. REYNOLDS. Sir, if my appearance would not be inimical to the public interest.

Senator SCOTT. I think that is a good answer.

Mr. MCLENDON. My attention has been called to the endorsement on the back of the $1,000 check dated October 18, 1957.

The first one is in handwriting, Mid-Atlantic Steel Co.

The second one is a stamp which reads, "KTBC Radio and Television, pay to the order of the Capital National Bank in Austin, Tex., for deposit only, the LBJ Co." All of that is stamped.

That is all I have, Mr. Chairman.

Senator CURTIS. I have nothing further.

The CHAIRMAN. Mr. Reynolds, we will excuse you, sir.

(Whereupon, at 11:30 a.m., the committee recessed, subject to the call of the Chair.)

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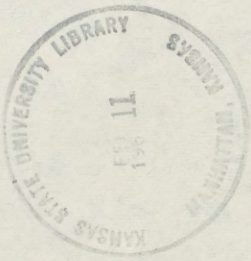
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