

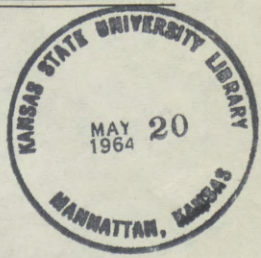
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FINANCIAL OR BUSINESS INTERESTS OF OFFICERS
OR EMPLOYEES OF THE SENATE

GOVERNMENT
Storage



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

DECEMBER 9, 1963

PART 19

Testimony of Aaron Goldman and Stanley Lee

Printed for the use of the
Committee on Rules and Administration





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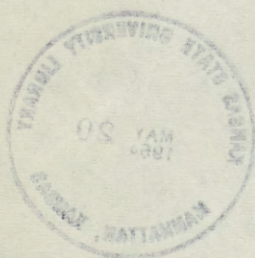
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[Executive hearing of December 9, 1963, released to the public April 29, 1964]



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FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

MONDAY, DECEMBER 9, 1963

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

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

Present: Senators Jordan, Hayden, Cannon, Pell, Clark, Curtis, and Cooper.

Also present: Gordon F. Harrison, staff director; Hugh Q. Alexander, chief counsel; L. P. McLendon, general counsel; Burkett Van Kirk, associate counsel; James H. Duffy, associate counsel; William B. Whitley, staff assistant to Senator Jordan; Walter Mote, professional staff member; William Ellis Meehan, investigator; and Edward Hugler, accountant.

The CHAIRMAN. The committee will come to order. We have a quorum present.

Our first witness this morning is Mr. Goldman.

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

The CHAIRMAN. Have a seat, Mr. Goldman.

This executive session of the committee is being held today to receive under oath the testimony of witnesses who, the committee has good reason to believe, possess information relevant to the investigation which the Committee on Rules and Administration is conducting pursuant to Senate Resolution 212, agreed to on October 10, 1963, and Senate Resolution 221, agreed to on November 1, 1963.

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

to make a study and investigation with respect to any financial or business interests or activities of any officer or employee 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.

Each of the witnesses to be examined today has voluntarily conferred with the committee's investigators and voluntarily appears here today to be examined under oath. The committee appreciates their cooperative attitude. These witnesses are Mr. Aaron Goldman and Mr. Stanley Lee.

Mr. Goldman, will you please stand, sir, put your hand on the Bible, raise your right hand, and take the oath?

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

Mr. GOLDMAN. I do.

The CHAIRMAN. Thank you, sir.

Major McLendon, you can take over.

Mr. McLENDON. Mr. Goldman, will you state for the record your full name and your residence address?

TESTIMONY OF AARON GOLDMAN

Mr. GOLDMAN. Aaron Goldman, 4720 Linnean Avenue NW., Washington, D.C.

Mr. McLENDON. Will you state your business address?

Mr. GOLDMAN. 1111 First Street NE., Washington, D.C.

Mr. McLENDON. Mr. Goldman, for a number of years have you been connected with the company that operates vending machines?

Mr. GOLDMAN. Yes; I have.

Mr. McLENDON. What is the name of your company?

Mr. GOLDMAN. Macke Vending Co.

Mr. McLENDON. Prior to March 23, 1962, did the Macke Vending Machine Co. have a contract with Melpar?

Mr. GOLDMAN. It did.

Mr. McLENDON. Will you tell the committee briefly when that contract was first made; how long you operated under it?

Mr. GOLDMAN. To my best recollection, it was about a period of 3½ to 4 years prior to March 1962.

Mr. McLENDON. Did you have any complaints from the company while you were operating—from Melpar, I mean?

Mr. GOLDMAN. We did not.

Mr. McLENDON. When were you first notified that your contract would be terminated by Melpar?

Mr. GOLDMAN. Receipt of a letter in March 1962.

Mr. McLENDON. Prior to receipt of the letter, had you been told that your contract might be terminated?

Mr. GOLDMAN. No, sir.

Mr. McLENDON. When you received the notice of termination, did you visit the company's office?

Mr. GOLDMAN. I did.

Mr. McLENDON. Did you confer with any of its officials?

Mr. GOLDMAN. I conferred with Mr. Weid.

Mr. McLENDON. And he has been identified here as vice president of the company.

Mr. GOLDMAN. Yes, sir.

Mr. McLENDON. Tell the committee briefly what occurred in that conference, Mr. Goldman.

Mr. GOLDMAN. Within a day or two after receipt of the letter I arranged to see Mr. Weid, asked him why he had terminated the contract, told him this was a blow to us; it was an important piece of business. He assured me that our service had been top grade, perfectly satisfactory, but said that the change had been made because of considerations that were important to the company.

Mr. McLendon. Did you ask for permission to file a proposal or bid that would be more favorable than the contract under which you had been working?

Mr. GOLDMAN. No; I did not. The entire inference was that it was just impossible for us to do anything that would have changed his mind about it.

Mr. McLendon. That the matter had already been settled—is that the effect of it?

Mr. GOLDMAN. That was the effect of it.

Mr. McLendon. And there was nothing else for you to discuss?

Mr. GOLDMAN. That is right.

Mr. McLendon. While you were operating under your contract which you say was terminated in March 1962, did you make a request of the company to be permitted to raise prices?

Mr. GOLDMAN. Yes; we did. We endeavored to raise the price of soft drinks that we were selling from the machines from 5 to 10 cents.

Mr. McLendon. Were you successful?

Mr. GOLDMAN. No; we were not.

Mr. McLendon. Did you make that request more than once?

Mr. GOLDMAN. A number of times.

Mr. McLendon. Did you consider it a reasonable request?

Mr. GOLDMAN. Yes; because I think it was the last place in the Washington area where soft drinks were still selling for 5 cents, and it is hard to make a profit out of a nickel these days. And we endeavored several times to get them to permit us to change it, but we could not.

Mr. McLendon. That is all I want to ask the witness.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Yes, Senator Curtis.

Senator CURTIS. Melpar is a corporation here in the Washington area; is it not?

Mr. GOLDMAN. I think it is Fairfax County. In the metropolitan area; yes.

Senator CURTIS. Fairfax County, Va.

Mr. GOLDMAN. Yes, sir.

Senator CURTIS. Is their business largely Government contracts, to the best of your knowledge?

Mr. GOLDMAN. To the best of my knowledge, it is.

Senator CURTIS. Do you have any idea about how many people were employed there during the period that you had your vending machines there?

Mr. GOLDMAN. A figure of 5,000 sticks in my memory. I think that may be it.

Senator CURTIS. What sort of a contract did you have with Melpar for your operation there? Was it a written contract?

Mr. GOLDMAN. Yes; it was.

Senator CURTIS. You don't need to give every detail, but tell us something about the operation so we will understand what we are inquiring about.

Mr. GOLDMAN. Well, it simply provided that we would install on their premises a number of vending machines selling candy, cigarettes,

soft drinks, coffee, pastries; that we would keep those machines stocked with merchandise, keep them in good repair; and that we would pay monthly to Melpar what we call a commission, which is a percentage of the sales which are made through those machines.

Senator CURTIS. Yes. You did install machines there?

Mr. GOLDMAN. Yes; we did.

Senator CURTIS. They were vending machines?

Mr. GOLDMAN. That is right, sir.

Senator CURTIS. Roughly, about how much machinery did you have installed there, as to an estimate of its value?

Mr. GOLDMAN. My recollection would be that we probably—somewhere between \$40,000 to \$50,000 worth of equipment in value.

Senator CURTIS. That would be new cost, perhaps?

Mr. GOLDMAN. Yes; that is right. Well, they were fairly new machines, as I remember.

Senator CURTIS. Yes. And you sold—

Mr. GOLDMAN. Candy, cigarettes, soft drinks, coffee principally.

Senator CURTIS. Did your contract give Melpar authority to review your prices charged, or was that a sort of—

Mr. GOLDMAN. That was sort of negotiated. It seems to me that during the 3 or 4 years we did business with them, it may have been changed once or twice, through negotiation, as we put in newer machines, which did a higher volume of business. The machines we took out were not necessarily the machines that had first gone in there 4 years ago. We kept them upgraded as newer machines came up. As I remember the commissions, there may have been minor adjustments in the arrangements. I do remember there was an adjustment in the arrangement of certain costs that we reimbursed them for, for a porter service. Because they were doing secret work, it seems our man had to be accompanied by one of their people, and we paid monthly a portion of the charges for this—

Senator CURTIS. That is sort of a janitorial service?

Mr. GOLDMAN. Well, it was a business of accompanying our man. He was a janitor. But somehow he was cleared, and he accompanied our man as he made his rounds.

Senator CURTIS. Would you give us an estimate of about how much commission you paid to Melpar monthly? And this can be a round estimate, so we can get an idea of the size of the operation—not necessarily an exact figure for any accounting purposes.

Mr. GOLDMAN. Oh, I think it was about—my recollection was it was about, from memory—about \$3,000 a month.

Senator CURTIS. In commissions to the company?

Mr. GOLDMAN. That is correct. That is my recollection. It may have been \$2,500.

Senator CURTIS. The company had not complained about the service or your products prior to the termination of the contract.

Mr. GOLDMAN. That is correct.

Senator CURTIS. If you had had any discussion about that, it would be on little matters that would be welcome to be discussed on both sides. You have received no complaints; is that right?

Mr. GOLDMAN. There may have been very, very trifling complaints that stemmed from a rather low—you know—someone may have told

our man that a machine didn't work; we were selling a lot of goods out of it. But certainly the relationship can be accurately described as very satisfactory between both Melpar and ourselves.

Senator CURTIS. How about their employees who used the vending machines? Did you get any complaint about that?

Mr. GOLDMAN. They thought our company was top grade.

Senator CURTIS. Why did they cancel? What was the reason given?

Mr. GOLDMAN. Considerations of importance to the company or to its stockholders. I seem to remember the word "stockholders."

Senator CURTIS. Did they ever elaborate on that?

Mr. GOLDMAN. It was only Mr. Weid. You say "they," sir. It was Mr. Weid. No; I cannot say there was any elaboration on it.

Senator CURTIS. And under your contract, he could terminate it—

Mr. GOLDMAN. Thirty days; yes, sir.

Senator CURTIS. I see. Did you attempt to make any inquiry any place else from any other source as to why your contract was terminated?

Mr. GOLDMAN. No; not really. It was clear to me that the man was responding to some kind of pressures induced by friendship or something over and above the usual—certainly different than the business relationship that we had with him. And there was no need to pursue it any further.

Senator CURTIS. Well, his reference either to the company or the stockholders—did that convey to you that he felt for the good of his own business he should make a change?

Mr. GOLDMAN. Yes; it did.

Senator CURTIS. I think that is all I have, Mr. Chairman.

The CHAIRMAN. Senator Cannon?

Senator CANNON. No questions.

The CHAIRMAN. Senator Cooper?

Senator COOPER. At the time of cancellation of the contract, did you know then that Capitol Vending was to be your successor?

Mr. GOLDMAN. I think it came out at the end of my conversation with Mr. Weid. I asked him who the company was, and he told me who the company was.

Senator COOPER. Was there anything said at that time about any changes in the contract itself with respect to prices?

Mr. GOLDMAN. Not at that time.

Senator COOPER. That is, with Capitol.

Mr. GOLDMAN. Not at that time.

Senator COOPER. Was there later anything said—

Mr. GOLDMAN. At some later date a personnel officer of Melpar indicated to me in passing that the commissions that had been paid in one instance by this company, by Capitol, had been more than we had been paying. But this came much later. I don't remember. I am sure it was not part of Mr. Weid's conversation with me at the time.

Senator COOPER. You never did talk to Mr. Bostick?

Mr. GOLDMAN. I met Mr. Bostick for the first time a couple of days ago when he was waiting to be a witness here.

Senator COOPER. Did Mr. Marsh say anything to you about the reason for the cancellation of the contract?

Mr. GOLDMAN. Mr. Marsh said he really didn't know. Mr. Marsh was the personnel manager, and he was the man with whom we had our dealings in relation with the machines over a long period of time. But he said he knew nothing about the reasons for the cancellation.

Senator COOPER. Mr. Weid told you it was being canceled for, I believe you said, reasons of extreme importance to the company or stockholders.

Mr. GOLDMAN. Well, at least reasons of importance. I don't know that he said it was extreme. Reasons of importance, or great importance to the company, or to the shareholders of the company.

Senator COOPER. You said he did not elaborate on that. Did he mention any person connected with the Capitol Vending Co. which would make it a matter of importance to have cancellation of the contract?

Mr. GOLDMAN. He mentioned no names.

Senator COOPER. Did you know Mr. Baker at that time?

Mr. GOLDMAN. I have never met Mr. Baker.

Senator COOPER. Thank you.

Senator CURTIS. One more question. What did you do with the machines that were in there?

Mr. GOLDMAN. Brought them back to our warehouse, and hopefully over the term of the next few months managed to find new homes for them.

Senator CURTIS. How long have you been in this vending type of business?

Mr. GOLDMAN. Twenty-nine years.

Senator CURTIS. That is all.

Mr. McLendon. One further question. In connection with Mr. Marsh's assurance to you, or Mr. Weid's assurance to you, that your contract was not being canceled because of any neglect or default on the part of your company, did you request that they write you a letter to that effect?

Mr. GOLDMAN. I did.

Mr. McLendon. To whom did you make that request?

Mr. GOLDMAN. Mr. Weid.

Mr. McLendon. Did you get it?

Mr. GOLDMAN. No; I did not get the letter.

Mr. McLendon. What did Mr. Marsh tell you about it?

Mr. GOLDMAN. Well, as a matter of fact, first of all, Mr. Marsh said, "Send us the kind of letter you have in mind," and I drafted a kind of letter which said, in effect, that we had done business with them and that our service had been good, and, not having received such a letter from them, I think I called Mr. Marsh and asked him if he would not send the letter, because I wanted it for our files. He said that, on reconsideration, they thought it might be better not to send that kind of a letter to us. I didn't place too much importance on—just forgot about it.

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

The CHAIRMAN. Any further questions?

That is all, Mr. Goldman. Thank you very much for your cooperation.

Mr. GOLDMAN. Thank you, sir.

* * * * *

The CHAIRMAN. We will now stand in recess until 2 o'clock this afternoon.

(Whereupon, at 1:10 p.m., the committee was recessed until 2 p.m., the same day.)

AFTERNOON SESSION

The CHAIRMAN. Mr. Lee, will you rise, put your left hand on the Bible, and hold up your right hand?

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

Mr. LEE. I do.

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

TESTIMONY OF STANLEY LEE, ACCOMPANIED BY DAVID
CARLINER, ATTORNEY

Mr. LEE. Stanley Lee, 4200 South Capitol Street, Washington, D.C.

Mr. McLendon. Now state your business address.

Mr. LEE. I am working for Capitol Vending, 23 I Street SW., Washington.

Mr. McLendon. How long have you been connected with the Capitol Vending Co.?

Mr. LEE. Approximately 2½ years.

Mr. McLendon. What official position do you hold with that company?

Mr. LEE. I am the general manager.

Mr. McLendon. Did you have anything to do with negotiating the contract between Melpar and Capitol?

Mr. LEE. No; I have not.

Mr. McLendon. In the spring of 1963, was your attention called to the fact that Mr. Hill, the president of Capitol, was withdrawing money from the firm on memoranda or in the form of cash?

Mr. LEE. Yes; I know about it.

Mr. McLendon. Did you speak to Mr. Hill when you discovered that?

Mr. LEE. Yes; I mentioned several occasions, whenever he takes money out of the cashier, I try to find out the destination of the money. But he would not reveal the source.

Mr. McLendon. Did he ever disclose to you what he was doing with the money?

Mr. LEE. Yes; he told me that this money is for securing of the Melpar contract.

Mr. McLendon. Securing the Melpar contract?

Mr. LEE. Yes, sir.

Mr. McLendon. Did he tell you what persons or person the money was being paid to?

Mr. LEE. No; he never mentioned the person's name.

Mr. McLendon. Do you know whether the withdrawal of those sums of money was related in any instance to incoming telephone calls to Mr. Hill?

Mr. LEE. That I don't know, sir.

Mr. McLENDON. What did you have to do with recommending the price increases for cold drinks that Capitol was selling, and the installation of a new drink, hot chocolate?

Mr. LEE. I did not get the question.

Mr. McLENDON. Did you have anything to do with preparing the memorandum?

Mr. LEE. Well, I made a recommendation for raising 5-cent drinks to 10 cents, and to put the chocolate products in the coffee machine.

Mr. McLENDON. Did you actually prepare the memorandum?

Mr. LEE. No; I did not. Mr. Hill did.

Mr. McLENDON. Did you have personal knowledge of what Mr. Hill did with it, after it was prepared?

Mr. LEE. He said he was taking it to Capitol Hill.

Mr. McLENDON. Taking it to Capitol Hill?

Mr. LEE. Take the memorandum to Capitol Hill.

Mr. McLENDON. Did he indicate what person or persons on Capitol Hill he was going to talk to?

Mr. LEE. No; I don't have any idea about it.

Mr. McLENDON. Were you present at the Skyline Inn in April 1963, when Mr. Hill and Mr. Hancock were there?

Mr. LEE. Yes; I was there.

Mr. McLENDON. What took place at that meeting?

Mr. LEE. Well, that was the first time I ever met Mr. Hancock, and I was introduced to Mr. Hancock by Mr. Hill. And the first statement Mr. Hancock made was that he was to take the Melpar account from Capitol Vending Co., and he was sorry to do this, but he has to do it. The second statement he made, if I can remember correctly, is the fact that he asked Mr. Hill how much the equipment in Melpar was worth, and he mentioned something about taking over North American Aviation in California, and that he did the same thing, and he likes to do the same thing over again at Capitol Vending.

Mr. McLENDON. Did he tell you what his position with the Serv-U Corp. was?

Mr. LEE. Yes. He was the president.

Mr. McLENDON. President?

Mr. LEE. Of the Serv-U.

Mr. McLENDON. Did he tell you that he was scouting for the Serv-U Corp. to find locations for additional vending machines?

Mr. LEE. Yes. He said he was traveling around the Nation, soliciting and securing locations.

Mr. McLENDON. In that meeting, was any discussion had about selling Capitol, or was that at a later meeting?

Mr. LEE. That was a later meeting, I think.

Mr. McLENDON. After you had this meeting with Hancock, did Mr. Hill tell you about a visit to Fred Black's office?

Mr. LEE. Yes; that was a long time before that.

Mr. McLENDON. That was before that?

Mr. LEE. Yes; a long time before that.

Mr. McLENDON. Were you present on that occasion?

Mr. LEE. I was—I still am the general manager. He gave me a couple of pages of the list of complaints he received from Melpar, through Mr. Black. And he asked him to correct the situation.

Mr. McLENDON. Do you know the origin of that memorandum?

Mr. LEE. No; I do not.

Mr. McLendon. You do not know where it came from?

Mr. LEE. No.

Mr. McLendon. Did you ever see it anywhere except in Mr. Black's office?

Mr. LEE. No; I just read the list of complaints. I don't know where they came from; who they came from—I don't know.

Mr. McLendon. After this luncheon meeting you had in Skyline Inn, in April 1963, do you know about a telephone call from Baker asking for a conference in his office in the Capitol?

Mr. LEE. Mr. Hill told me about it.

Mr. McLendon. Did he ask you to go?

Mr. LEE. Yes; he asked me to go on behalf of him.

Mr. McLendon. To go as a substitute for Hill?

Mr. LEE. Right.

Mr. McLendon. Did you go?

Mr. LEE. Yes; I did.

Mr. McLendon. What took place when you arrived at Baker's office?

Mr. LEE. Well, I met Mr. Hancock at the cafeteria, on the way to Baker's office, and we were discussing something about the vending business with Mr. Hancock. And then Mr. Hancock and myself went to Mr. Baker's office, and they told me to wait. About approximately 15 to 20 minutes later Mr. Baker came out and he said, "Where's Mr. Hill?" So I said, "Well, he has another important engagement, so I am coming here on behalf of him." He said, "The person I want to see is Mr. Hill, and you better get him." So I called the company and asked Mr. Hill to come to Mr. Baker's office immediately.

Mr. McLendon. Did you wait until Mr. Hill got there?

Mr. LEE. Yes; I waited about 45 minutes.

Mr. McLendon. When Mr. Hill arrived, tell us all the persons who were present.

Mr. LEE. He came accompanied by Mr. Teddy P. Collier, and we all went into Mr. Baker's office together.

Mr. McLendon. And Mr. Collier was also with Capitol Vending Co.?

Mr. LEE. Yes; he was one of the board of directors.

Mr. McLendon. Do you remember a man named Don Reynolds there that morning?

Mr. LEE. Yes; Don Reynolds. I saw him there.

Mr. McLendon. He did not attend the conference in Baker's private office?

Mr. LEE. No.

Mr. McLendon. Do you recall whether you or Hill spoke to Reynolds?

Mr. LEE. Mr. Hill spoke to him; something about a Teamster Union insurance.

Mr. McLendon. Teamster Union insurance?

Mr. LEE. Yes.

Mr. McLendon. But you did not follow the conversation.

Mr. LEE. No; I did not.

Mr. McLendon. When you were in Baker's private office, what did Baker say to you gentlemen?

Mr. LEE. Well, I could not precisely recall what he said.

Mr. McLendon. Well, let me refresh your recollection. Do you recall that he told Mr. Hill that you, Capitol, had lost the contract with Melpar because you alienated Mr. Fred Black?

Mr. Lee. Yes; that's what he said.

Mr. McLendon. Did you hear him say that?

Mr. Lee. Yes, sir.

Mr. McLendon. Did you know what he meant?

Mr. Lee. No; I didn't at that time.

Mr. McLendon. He also accused someone, without naming them, of having phoned Mrs. Black.

Mr. Lee. That is what he said.

Mr. McLendon. What did he say, exactly?

Mr. Lee. He said somebody called Mrs. Black and was inquiring about the vending business; something like that.

Mr. McLendon. Did he say the person calling Mrs. Black mentioned Serv-U?

Mr. Lee. I think he did. I think he did—inquired about the Serv-U Vending Co. I don't recall the exact wording. But that is the impression I received.

Mr. McLendon. Did you and Mr. Hill deny that either of you did the phoning?

Mr. Lee. No; I don't even know the telephone number.

Mr. McLendon. You never called Mrs. Black.

Mr. Lee. No; I never did.

Mr. McLendon. Did Mr. Hill deny he ever called?

Mr. Lee. No; I don't think he did, either.

Mr. McLendon. I don't understand your answer.

Mr. Lee. I don't think he called Mrs. Black, either.

Mr. McLendon. My question was did he deny—tell Baker he had not called?

Mr. Lee. Yes; he had not called.

Mr. McLendon. Did Mr. Baker in that meeting remind Mr. Hill of the many things that he had done for him and his company?

Mr. Lee. Yes; he mentioned something like, "I helped Ralph; helping raise a nickel drink to 10 cents and putting a chocolate product in the vending machine," and also he is going to clear security clearance of our route men.

Mr. McLendon. And how did he say that?

Mr. Lee. He said, "I helped him raise the 5-cent drink to 10 cents."

Mr. McLendon. That he helped him raise the price.

Mr. Lee. Yes.

Mr. McLendon. And what did he say about relieving him of this expensive security officer?

Mr. Lee. He said he was going to do that.

Mr. McLendon. Did he say he was going to, or that he was already working on it?

Mr. Lee. He was already working—that was the impression I received—he was working on it.

Mr. McLendon. Do you know how much money that involved?

Mr. Lee. Approximately \$850.

Mr. McLendon. A month?

Mr. Lee. Yes; per month.

Mr. McLendon. And that was in the memorandum, was it not, about the price increases?

Mr. LEE. That I do not know.

Mr. McLendon. You are not sure. Now, in that meeting did Baker make any statement about buying the Capitol Co.?

Mr. LEE. Yes; he did.

Mr. McLendon. Who did he say wanted to buy it?

Mr. LEE. He said—he was addressing to Mr. Hancock, and he was acting as an intermediary at that time. And he asked Mr. Hill, "How much is your company worth, without Melpar?"

Mr. McLendon. Without Melpar?

Mr. LEE. Yes.

Mr. McLendon. All right.

Mr. LEE. Then I said, "I think the price should include the contract with Melpar, because as far as I am concerned we still have Melpar."

Mr. McLendon. That is Hill's statement?

Mr. LEE. That is my statement.

Mr. McLendon. That is your statement.

Mr. LEE. Then, "You lost the Melpar already—you already lost Melpar"—something like that. He said, "You already lost Melpar anyway. Why should we include the Melpar contract?" And I said, "No; I don't think I lost that contract yet." And he said something like, "I don't care what you think." Then I told him that I don't excuse my expression—"I don't give a damn what your position is. The interest I have is the interest of Capitol Vending."

Mr. McLendon. I couldn't understand the last part.

Mr. LEE. I told him I don't give a damn what position he is in—the interest I have is protecting the interest of Capitol Vending.

Mr. McLendon. Was any price suggested?

Mr. LEE. No price, but the transaction was supposedly arranged by Mr. Tucker, and Mr. Hill suggested in order to have them show good faith they should put in \$50,000 cash in escrow.

Mr. McLendon. Put up \$50,000 cash in escrow?

Mr. LEE. Yes.

Mr. McLendon. To show their good faith.

Mr. LEE. That's right.

Mr. McLendon. And what was it Baker said about negotiating with Tucker?

Mr. LEE. Baker told Mr. Hancock—Mr. Hancock did not quite understand what that \$50,000 was about. Then Mr. Baker was telling Mr. Hancock, "Go ahead; talk to Mr. Tucker; talk to him about putting the \$50,000 in escrow." He will try to explain to Mr. Hancock what the \$50,000 was about.

Mr. McLendon. Am I correct in saying that the proposed purchaser was the Serv-U Corp.?

Mr. LEE. Yes.

Mr. McLendon. That was the proposed purchaser.

Mr. LEE. Yes.

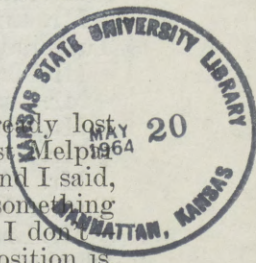
Mr. McLendon. And Hancock was there speaking for it?

Mr. LEE. Hancock was—I got the impression that Mr. Baker, later, was speaking for Serv-U.

Mr. McLendon. Well, did Hancock represent Serv-U also?

Mr. LEE. Well, he was told by Mr. Baker what to do.

Mr. McLendon. He was told by Mr. Baker.



Mr. LEE. Yes; to get in touch with Ernie Tucker and negotiate; something about putting \$50,000 cash in escrow.

Mr. McLendon. Can you repeat Mr. Baker's words when you say he told Hancock what to do?

Mr. LEE. Well, I have a little problem with language. I do not precisely recall exactly the expression of Baker.

Mr. McLendon. But you expressed it by saying that Baker told Hancock what to do.

Mr. LEE. Yes. Hancock did not understand what Baker was talking about and Mr. Hill—was talking about \$50,000 in escrow. So he was a little upset about not understanding. And he told Mr. Hancock, "You go ahead and get in touch with Tucker and negotiate this."

Mr. McLendon. The next day, did you have a meeting with Tucker?

Mr. LEE. Yes. After I came back from the meeting, I called Mr. Tucker and I went out to Mr. Tucker's office myself.

Mr. McLendon. Who went with you?

Mr. LEE. By myself.

Mr. McLendon. By yourself?

Mr. LEE. Yes.

Mr. McLendon. What kind of conversation did you have with Tucker then?

Mr. LEE. Well, I was trying to find out an indication on their part—whether they were sincerely interested in buying Capitol Vending or not. Then I asked Mr. Tucker if he was willing to put in the \$50,000 in escrow. He said he doesn't know yet, but he doesn't think so.

Mr. McLendon. Was your own attorney present on that occasion?

Mr. LEE. No, sir. And the second meeting I went to Mr. Tucker's office—

Mr. McLendon. You took your attorney with you; Mr. Carliner?

Mr. LEE. Yes; I took Mr. Carliner with me.

Mr. McLendon. What occurred at that meeting?

Mr. LEE. Well, it was more or less a repeat of the conversation. And Mr. Tucker was refusing to put in the \$50,000 in escrow—the impression I received. And yet he was demanding certain statements, certain information of Capitol Vending, such as commission rate, or financial statement, such as the type of accounts we have. And that is all he needed, he said, to evaluate the value of the company. But the information he was asking was very confidential information.

Mr. McLendon. In other words, he was asking you to disclose all your business information without any agreement on his part to put up any deposit or anything to guarantee good faith; is that your point?

Mr. LEE. That is very true; yes.

Mr. McLendon. So that meeting broke up without any agreement, too; did it?

Mr. LEE. That meeting broke up on the assumption that Mr. Tucker was going to write a letter to Mr. Carliner in connection with this transaction.

Mr. McLendon. Was it after that meeting that you discovered that someone had put about 100 vending machines in storage over in Bladensburg, Md.?

Mr. LEE. No; that was long after that.

Mr. McLendon. That was sometime after that?

Mr. LEE. Yes; then I was on vacation. I called up the company and I asked them how the business was going. Then Mr. Hill told me that Serv-U shipped 100 pieces of equipment to Bladensburg, Md. The meeting we had with Ernie Tucker and Hancock was the latter part of March. But when we found out about the machines, that was the first part of August.

Mr. McLendon. Now, did you go down to Melpar Co. and talk to Mr. Marsh and Mr. Weid?

Mr. LEE. Yes; I did.

Mr. McLendon. To satisfy your curiosity about whether they were about to terminate your contract?

Mr. LEE. That's right.

Mr. McLendon. Which one—did you speak to both those gentlemen?

Mr. LEE. I spoke—Mr. Marsh was present at that time. But I mainly spoke to Mr. Weid.

Mr. McLendon. What information did you get?

Mr. LEE. Well, I asked him about—if it is true that you are planning to change the vending company. And he said, "No; I don't have such a plan at all. Where did you get that information?"

Mr. McLendon. This is Weid?

Mr. LEE. Yes; I was talking to Weid. And then I said, "Well, we found out that Serv-U shipped a hundred pieces of vending equipment to Bladensburg, Md. And he said, "Well, I don't know anything about it." Well, let me put it this way: I told him that, "We know Serv-U got your contract. And we understand that we are about to lose the contract with Melpar." Then, he said, "Well, we are thinking about combining cafeteria operation with the vending, but we have not reached any decision yet." Then I said, "Well, I know quite a few cafeteria operators who are very well known in this area. I could recommend one to you." Then he didn't say anything further about it. After a long discussion, he told me to quit worrying about it—

Mr. McLendon. Quit worrying about it?

Mr. LEE. Yes; that I have nothing to worry about.

Mr. McLendon. Did he use the expression, "Keep your shirt on"?

Mr. LEE. No; he said quit worrying about it.

Mr. McLendon. So you left that conference thinking that your contract was going to be continued; did you?

Mr. LEE. That is right.

Mr. McLendon. What is the next thing you heard?

Mr. LEE. The next thing—after that we received the 30 days' notice.

Mr. McLendon. Canceling your contract?

Mr. LEE. Yes.

Mr. McLendon. Did you go back to Melpar then with Mr. Collier and visit Mr. Bostick and Mr. Weid?

Mr. LEE. Yes; I did.

Mr. McLendon. And what did you say to them?

Mr. LEE. I told them at the beginning of the meeting—Mr. Weid was sitting there—and I told Mr. Bostick that Mr. Weid assured me I am not going to lose the contract. However, we received 30 days' notice. And I asked Mr. Bostick if there is any possible way we can change his mind, because Melpar consists of almost one-third of our business; if we lose it, we might go into bankruptcy.

Mr. McLendon. You told them that the Melpar contract comprised about 50 percent of your business?

Mr. LEE. One-third.

Mr. McLendon. One-third of your business?

Mr. LEE. Yes. Then he said, "It is too late. You should have come to me a little sooner."

Mr. McLendon. Did you ask for permission to revise your prices or anything?

Mr. LEE. No; he flatly refused to change his decision.

Mr. McLendon. Did you say anything to Mr. Weid and Mr. Bostick in that conversation about Mr. Baker?

Mr. LEE. Yes; we told them about him. He said, "You should have come to me a little sooner." Then Mr. Collier said, "We were told not to get in touch with Melpar, but Mr. Hill was dealing with a representative of Melpar," which he meant by Baker. And every time Mr. Hill has taken some money to the Capitol. Well, every time I make a certain recommendation, such as a price change, then he always told me that he is going up to Capitol Hill. Then I get the result. So I start to believe what Mr. Hill said. Every time he goes up to Capitol Hill, he gets results. So I did not question anything about authority or power of the contract at Melpar. I just strictly leave it up to Mr. Hill.

Mr. McLendon. Is the gist of what you said to Bostick and Weid about Baker that you had always gotten everything you wanted through Baker?

Mr. LEE. No. He said, "You got this contract with the recommendation of Baker."

Mr. McLendon. Mr. Bostick said that?

Mr. LEE. Yes; Mr. Bostick said that. Mr. Collier was there, too. And he said he knew Mr. Baker through his very close friend, Tommy Webb.

Mr. McLendon. Tommy Webb?

Mr. LEE. Yes; he mentioned his name.

Mr. McLendon. Did you know who Tommy Webb was then?

Mr. LEE. No; I don't. I still don't know. I understand he is a lawyer.

Mr. McLendon. What did Mr. Bostick say, if anything, about Baker, what he knew about Baker?

Mr. LEE. He said he is a very bright, promising young man; that he tried to give the impression that he is a very quick, fast operator. That is what he tried to implicate—too fast for him, or something like that.

Mr. McLendon. Operating too fast?

Mr. LEE. Yes.

Mr. McLendon. Did he say he knew Baker well or not?

Mr. LEE. I don't recall that he stated. We took for granted that he knows Baker very well.

Mr. McLendon. What did you say to Mr. Bostick and Mr. Weid about your company having paid Baker for his services in helping you get the contract?

Mr. LEE. Well, in fact, I had a copy of a suit in my pocket.

Mr. McLendon. A copy of the suit papers?

Mr. LEE. Yes—suit we filed at the court. I told him that Mr. Hill is not bluffing at all; he intended to go through with this suit. I think

for the interest of Melpar they should reconsider this cancellation of the contract. Then he said I am bluffing; something like that.

Mr. McLendon. He said what?

Mr. Lee. That I was bluffing. And I told him that I am not bluffing at all. I was simply conveying true facts—the facts I know about Mr. Hill.

Mr. McLendon. That he would bring suit?

Mr. Lee. Yes. Then I took out a copy of the suit and tried to show it to Mr. Weid. Then Mr. Bostick said, "I don't care whether you sue Baker or not."

Mr. McLendon. Did you ever tell him that your company had been paying Baker?

Mr. Lee. Yes; I told Mr. Weid at the first meeting.

Mr. McLendon. What did you tell him?

Mr. Lee. I told him that I understood that Mr. Hill has been paying Mr. Baker since we got the contract. Then I told Mr. Weid that Mr. Hill is planning to sue Baker in case he loses the contract, because he was assured that he would keep the Melpar for 3 years, minimum of 3 years. Then also I mentioned to Mr. Weid that Mr. Hill is planning to sue Mr. Fred Black, too, because Black is the one who is responsible for obtaining the contract also. Then he said, "I don't see what ground you have. I don't think you have any ground to sue Baker at all." Then I told him that Mr. Hill has been paying him for the public relations fee or something like that—I mentioned public relations fee of \$250 a month. He was surprised. And he said, "Well, I don't know Mr. Baker, anyway."

Mr. McLendon. Who said that?

Mr. Lee. Mr. Weid.

Mr. McLendon. Mr. Weid?

Mr. Lee. Yes. Then he said, "Oh, yes; I remember; I met him only once at some luncheon."

Mr. McLendon. What did Mr. Bostick say about how well he knew Baker, if anything?

Mr. Lee. Well, I got the impression that he knows Mr. Baker very well, because he said he is a very shrewd and sharp young man, promising young man.

Mr. McLendon. Shrewd, sharp, and promising young man?

Mr. Lee. Yes.

Mr. McLendon. Were you able to persuade them to reconsider the cancellation of the contract?

Mr. Lee. Yes. We spent an hour and 15 minutes to persuade Mr. Bostick not to cancel our vending contract. I told him very clearly that this was going to break Capitol Vending immediately, because Melpar is one-third of the entire Capitol Vending business. But he said it was too late.

Mr. McLendon. Too late?

Mr. Lee. Yes.

Mr. McLendon. The notice had already been mailed and you received it?

Mr. Lee. That is right.

Mr. McLendon. Mr. Lee, do you know anything about the total amount of money that Mr. Hill claims that he paid Baker?

Mr. LEE. No; I do not. When I came to the office, I moved in the office 1st of January of 1963—no—1962, as the general manager. And later I found out that Mr. Hill was taking money out of the cashier as a promotional expense, and he called it different names. But after 5 or 6 months later I told the cashier that every time somebody takes money out of the cashier, please let me know, because I have to know about it.

Then one time the cashier came to me—Mr. Hill asked him to give him \$250. I said, "What for?" and the cashier says he didn't say—he has to take it to someplace, to somebody. Then I was strongly opposed; I strongly opposed the idea, not clearly knowing the destination of the cash. Then he told me—one time I handed the money to Mr. Hill, and he said, "Put it in an envelope," that he was going to take this to Capitol Hill. But I asked him who. He said, "I cannot tell you."

Mr. McLendon. On one occasion you had the currency, put it in an envelope, and handed it to Hill?

Mr. LEE. Yes.

Mr. McLendon. And you asked him what he was going to do with it. And he said he was going to take it to Capitol Hill?

Mr. LEE. Right.

Mr. McLendon. You asked him who he was going to give it to?

Mr. LEE. Yes.

Mr. McLendon. He said, "I cannot tell you"?

Mr. LEE. That is right.

Mr. McLendon. When did he tell you the money he had been carrying to Capitol Hill was paid to Baker?

Mr. LEE. After I met Mr. Hancock.

Mr. McLendon. After you met Hancock?

Mr. LEE. Yes.

Mr. McLendon. On which occasion are you referring to?

Mr. LEE. The first meeting I had. Just around that time—when we heard the rumor that we were going to lose Melpar, that is the time Mr. Hill told me that he had been paying Baker some money to keep the location.

Mr. McLendon. To fix your time, was it the occasion you met Hancock at Skyline Inn—is that the time you are referring to?

Mr. LEE. Yes.

Mr. McLendon. In other words, after that meeting with Hancock, you asked Hill about the money again, and then he told you he had been paying it to Baker?

Mr. LEE. That is right.

Mr. McLendon. And did he tell you the amounts, the monthly payments he had been making to Baker?

Mr. LEE. Yes. He told me that Mr. Baker was asking something like a thousand dollars; that he mentioned to reduce to \$250. Then he said after we raise the 5-cent drink to 10 cents and the chocolate product in the machine, then he compromised to pay him \$650 a month. Then I told him that it is not worth it. And he said—"Well, whether it is worth it or not, we still have to do it." And I asked him, you know, why can't you clear this route man—we can save about \$850 per month. That money I don't mind giving away. Then he said that can be done, too, through Mr. Baker.

Mr. McLendon. Mr. Hill told you that could also be done through Mr. Baker?

Mr. LEE. Yes.

Senator CURTIS. I don't understand.

Mr. McLendon. He said get rid of the route man expense of \$800 a month—that could also be eliminated through Mr. Baker.

Senator CURTIS. Was that done?

Mr. LEE. No; it was not done.

Senator CURTIS. Because the contract terminated soon thereafter?

Mr. LEE. No. At that time Serv-U decided to move in this territory already. That was March of 1963—April, I think—April or March of 1963.

Mr. McLendon. Do you know, Mr. Lee, who delivered that request for a price change and elimination of the security expense?

Mr. LEE. No; I don't.

Mr. McLendon. You do not?

Mr. LEE. No; I don't.

Mr. McLendon. Do you know that the permission was granted to make the price increase very promptly?

Mr. LEE. I was constantly complaining of the payment. Then Mr. Hill said, "What do you want me to do?" Then I recommended that we should change the nickel drink to 10 cents, and put chocolate product in it. Then later I learned that—our office manager, who is John Gorrisen, typed a memorandum for Mr. Hill. And I didn't see the memorandum. I don't know what information the memorandum contains. Later I learned that Mr. Hill asked Mr. Baker. And I think, if I remember correctly, when he took the memorandum, I think he took \$650 with him. But I am not sure about it. But there was something about taking money with him at that time.

Mr. McLendon. Let me repeat that so it will be clear on the record. You are saying that Mr. Hill told you that the same time that he took the memorandum to Mr. Baker about the price increase—

Mr. LEE. No; I don't know about the price increase. He said he was going to go to the Capitol and see somebody about this price increase.

Mr. McLendon. And that he took \$650 in cash at the same time?

Mr. LEE. I don't remember whether at the same time or not. He mentioned something about he has to pay for that.

Mr. McLendon. It has to be paid for.

Mr. LEE. Yes. He has to take cash with him when he goes to Capitol Hill.

Mr. McLendon. Well, I am still a little confused. Did he say that he had to take cash with him at the time he went to Capitol Hill about the price increase?

Mr. LEE. No; I don't remember exactly whether the same time or a few days apart. He told me something about a cash payment. Then at that time I was a little short of cash. That is the reason I was conscious of this cash payment. And then I instructed Mr. Gorrisen—let's keep a record. Then Mr. Gorrisen, I think, wrote a check. And then Mr. Gorrisen, I think, cashed the check at the cashier.

Mr. McLendon. Mr. Lee, what I am trying to get you to explain, if you can—what was the relation between the time that this memo-

random about price increases was prepared, and the time when the \$650 was withdrawn and taken to Capitol Hill?

Mr. LEE. I think after we got permission to do so—anyway, after Mr. Hill returned from Capitol Hill, about a week later we got permission. Then, I think, he took the money.

Mr. McLendon. The \$650?

Mr. LEE. Yes. But I don't remember precisely the date.

Mr. McLendon. Did Mr. Hill tell you that, after he got that price-increase permission, he had to increase the amount of money taken to Baker?

Mr. LEE. Yes; that is what he told me.

Mr. McLendon. Did he tell you that the increase was from \$250 a month to \$650?

Mr. LEE. Yes; \$250 to \$650. But he said he reduced—Mr. Baker was asking—

Mr. McLendon. A thousand?

Mr. LEE. More money—but he managed to reduce it to \$650.

Mr. McLendon. Was the reason that he was asking for more money because of his services to get the price increase?

Mr. LEE. Yes; that is what Mr. Hill told me.

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

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Lee, what is your official title in Capitol Vending?

Mr. LEE. General manager.

Senator CURTIS. You knew when Mr. Hill started to make these payments?

Mr. LEE. No; I did not.

Senator CURTIS. How long had they gone on before you knew about them?

Mr. LEE. Oh, a few months; 3 or 4 months.

Senator CURTIS. And when you learned about it, you knew it was a payoff to somebody, but you didn't know who?

Mr. LEE. That is correct.

Senator CURTIS. You regarded it as a payoff; did you not?

Mr. LEE. I considered that as a payoff; yes.

Senator CURTIS. And when did you learn that that payoff was being made in the U.S. Capitol?

Mr. LEE. After I moved into the office. I think that was the first part of 1963.

Senator CURTIS. But Mr. Hill didn't disclose to you the name of the person receiving the money?

Mr. LEE. That is correct.

Senator CURTIS. But before he disclosed the name, he did refer to it as someone on Capitol Hill?

Mr. LEE. That is right.

Senator CURTIS. And when did you learn that Baker and Black were in business together as part owners of Serv-U?

Mr. LEE. I did not learn that at all. When Mr. Hancock—at the Skyline Inn; no—that is right. I don't know whether it was before or after. Anyway, I learned that Mr. Hancock was staying in some hotel in downtown. I was desperate to get in touch with Mr. Hancock. And when I called Mr. Hancock's hotel, the person who was

in his room gave me the number to call, in order to get in touch with Mr. Hancock. When I called the number that was Mr. Black's office. And that was the first time I asked Mr. Hill who Black was. Then he told me that he is a partner or something like that.

Senator CURTIS. How many times did you see Mr. Bostick?

Mr. LEE. Once.

Senator CURTIS. Just once. And he gave a good report of Bobby Baker, did he not?

Mr. LEE. Well——

Senator CURTIS. He bragged on Bobby Baker.

Mr. LEE. That is right. He said he is a very smart, shrewd young man.

Senator CURTIS. He didn't say anything else about him?

Mr. LEE. No.

Senator CURTIS. He didn't say that, because of Bobby Baker's intervention, he took the vending business away from Macke; did he?

Mr. LEE. No. He said Capitol Vending got the contract with the recommendation of Mr. Baker.

Senator CURTIS. Although he did not mention Macke——

Mr. LEE. No; he didn't mention anything about Macke.

Senator CURTIS. And they told you your services were satisfactory there?

Mr. LEE. More than satisfactory. He said quite satisfactory.

Senator CURTIS. And now it is taken away?

Mr. LEE. Yes.

Senator CURTIS. By the recommendation of Bobby Baker?

Mr. LEE. He didn't say that. He said he has to combine vending and cafeteria in the same operation.

Senator CURTIS. Who had the cafeteria?

Mr. LEE. Nationwide.

Senator CURTIS. So he didn't combine it, did he? Serv-U didn't get both of them; did they?

Mr. LEE. No. Later on Serv-U sold to Interstate, and Interstate has a cafeteria operation, too. So Interstate took over both vending and the cafeteria.

Senator CURTIS. Did you ever learn why Bostick would change the vending operator when Bobby Baker wanted him to?

Mr. LEE. No; I don't know why.

Senator CURTIS. Did you ever learn that Bostick and Baker were social friends?

Mr. LEE. Yes; that is the way I learned; yes.

Senator CURTIS. Did you ever learn that Bostick made use of party girls of Bobby Baker's acquaintance?

Mr. LEE. That I don't know of.

Senator CURTIS. That is all.

The CHAIRMAN. May I ask one question, just for my information? Senator Curtis, I understood you to ask Mr. Lee about Mr. Hill delivering money to the Capitol. You didn't say that you knew Mr. Hill delivered any money to the Capitol; did you? You didn't see him deliver any money to the Capitol?

Mr. LEE. No.

The CHAIRMAN. And you didn't see him ever give money to Mr. Baker?

Mr. LEE. No.

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

The CHAIRMAN. I just wanted to clear it up. He said he delivered it to the Capitol and gave it to Mr. Baker.

Senator CURTIS. When the money would leave your office, he would say he was paying it off to somebody on Capitol Hill?

Mr. LEE. Capitol Hill—that is all I know.

The CHAIRMAN. That is all.

Senator CANNON.

Senator CANNON. Mr. Lee, in order that the record may be straight, I would like to ask you about the procedural steps of the contract. Senator Curtis indicated that Serv-U took the contract from you people. Isn't it a fact that Serv-U never did get the contract from Melpar. The people who got the contract, who took over after you did, were Interstate; is that correct?

Mr. LEE. That is correct.

Senator CANNON. And Serv-U never took the contract, either the vending or the food, as far as you know, in their own name?

Mr. LEE. They shipped machines to Bladensburg, under the Serv-U name, for the purpose of installing at Melpar. But when they did, we started to make a lot of commotion. Then they sold, I understand—

Senator CANNON. Sold the machines to Interstate?

Mr. LEE. To Interstate.

Senator CANNON. And actually when the food concession was taken away from Nationwide, and the vending business from you, both of these were combined into one operation under Interstate, under the Melpar contract; is that correct?

Mr. LEE. That is correct.

Senator CANNON. Now, Mr. Lee, did you ever participate in any manner in arranging for the paying of this \$250 or \$650?

Mr. LEE. No; I did not.

Senator CANNON. Do you have any knowledge as to how your bookkeeping at the company reflects those payments?

Mr. LEE. Mr. John Gorrisen had a hand in that. But there is some indication that some of the money spent for this purpose was in the ledger. But they indicated it as promotional expense.

Senator CANNON. Some of the money or all of the money?

Mr. LEE. Some of the money was classified as promotional expense, and some of the money was indicated—I looked at it, and there is small initials, "BB," Bobby Baker.

Senator CANNON. When was that done?

Mr. LEE. That was a long time before we had these troubles.

Senator CANNON. Well, was that before you knew who the payments were going to?

Mr. LEE. No; that is after we learned.

Senator CANNON. After you knew who the payments were going to?

Mr. LEE. I guess that must have been the first part of this year, around March.

Senator CURTIS. I think that you said that you did not know who the payments were going to until after your meeting with Mr. Hancock, which was in March of this year?

Mr. LEE. Yes.

Senator CANNON. And is it after that that the indication on your records would show the "BB," as you indicated?

Mr. LEE. That is correct. That is what I saw.

Senator CURTIS. Would your records reflect all of the amounts of these payments; the \$250 alleged payments and the \$650 alleged payments?

Mr. LEE. No; it does not.

Senator CANNON. Your records don't show all of that?

Mr. LEE. No; it shows as a promotional expense in many cases.

Senator CANNON. But would the total amounts be reflected in your records in some form?

Mr. LEE. You see, we are spending more promotional expense than \$250—they are combined together.

Senator CANNON. How much are you spending per month?

Mr. LEE. We are approximately spending more than nine hundred or a thousand dollars.

Senator CANNON. Nine hundred or a thousand dollars?

Mr. LEE. Yes.

Senator CANNON. And has that amount increased since you first went with the company, or is that the same amount?

Mr. LEE. Yes; it has increased a little bit.

Senator CANNON. How much was it showing when you went with the company?

Mr. LEE. That I don't know. I was complaining about having too much promotional expense.

Senator CANNON. You complained about having too much promotional expense?

Mr. LEE. Yes.

Senator CANNON. When you first went with the company?

Mr. LEE. Yes.

Senator CANNON. And then the promotional expense increased, according to your statement.

Mr. LEE. A little bit more than the size of the operation we had. That is what I felt.

Senator CANNON. Now, when was the payment changed from \$250 to \$650 a month, allegedly?

Mr. LEE. I think it was April—April or May.

Senator CANNON. Of 1963?

Mr. LEE. 1963; yes.

Senator CANNON. And how long did those payments continue; if you know?

Mr. LEE. You see, our treasurer, Mr. John Gorrissen, was directly doing this with Mr. Hill. In a lot of cases I don't have any knowledge of it. And the treasurer, an officer of the company, was doing this. Mr. Hill was giving orders to the treasurer directly, rather than going through me. Mr. Gorrissen has more knowledge about this payment than I do.

Senator CANNON. Well, I think you said that, when you found out that \$250 a month was being drawn in cash by Mr. Hill, you asked that you be notified each time after that.

Mr. LEE. He didn't.

Senator CANNON. You were not notified?

Mr. LEE. No; I was not notified.

Senator CANNON. So that your statements as to any money being drawn then after that period is hearsay in some respects; is that right?

Mr. LEE. Especially Mr. Hill's. The rest of the promotion—every salesman has to report to me in order to draw a penny. But anything of Mr. Hill's promotional expense went through Mr. Gorrissen.

Senator CANNON. Was any of this money taken off the top of your collections without going through your receipts record?

Mr. LEE. There is a record. But if even he took the money out of the collection, still that amount of money was added to sales. So he could not take the money out of collections.

Senator CANNON. So it would be reflected in your gross amounts in some form or other?

Mr. LEE. Yes; that is right.

Senator CANNON. You stated you only talked to Mr. Bostick on one occasion, I believe; is that correct?

Mr. LEE. Yes.

Senator CANNON. And is that the time when you had the papers for the suit in your pocket?

Mr. LEE. That is correct.

Senator CANNON. And you said that Mr. Hill was going to file a suit?

Mr. LEE. Yes.

Senator CANNON. That is the only time you had a discussion with Mr. Bostick concerning the contract or Mr. Baker?

Mr. LEE. That is correct.

Senator CANNON. Did you tell Mr. Bostick at that time that you had—your company had been paying Mr. Baker some money; or did someone else tell him?

Mr. LEE. I think Mr. Weid told him already. At the first meeting with Mr. Weid, I mentioned to Mr. Weid—

Senator CANNON. You told Mr. Weid?

Mr. LEE. Yes.

Senator CANNON. When was that meeting?

Mr. LEE. That was about a month prior to the meeting I had with Mr. Bostick.

Senator CANNON. Was that before you got your notice of termination?

Mr. LEE. That is right.

Senator CANNON. That was before August 28?

Mr. LEE. That was, I think, the 2d or 3d of August.

Senator CANNON. Then you got your notice of termination on August 28?

Mr. LEE. That is right.

Senator CANNON. Then when did you have your meeting where Mr. Bostick was present?

Mr. LEE. About September 2, or so.

Senator CANNON. You remained in under your contract until September 20?

Mr. LEE. That is correct.

Senator CANNON. Did your contract have any term period or was it simply a 30-day-notice contract?

Mr. LEE. 30 days' closing.

Senator CANNON. Is that customary in the trade?

Mr. LEE. Yes; we have a few locations which have a 30-day closing.
 Senator CANNON. You have some locations now that have just a 30-day-notice cancellation provision?

Mr. LEE. Yes; but that doesn't mean we would be out in 30 days.
 Senator CANNON. How many locations do you have now that have 30 days?

Mr. LEE. Two or three.

Senator CANNON. Would you name those, please?

Mr. LEE. I think Cleaves Food Service.

Senator CANNON. How big an operation is that?

Mr. LEE. Oh, they have a large operation.

Senator CANNON. How big?

Mr. LEE. We have a small part of their vending contract. But they do have a large cafeteria operation. We have about 3 or 4 locations—10 machines altogether. But they indicate the term is 1 or 2 years. But when they are dissatisfied with our service, they have a right to cancel our contract within 30 days. That is the only time they cancel the contract.

Senator CANNON. Do you have any locations now that are in plants that are involved in Government work?

Mr. LEE. No. Government work?

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

Mr. LEE. What do you mean? Federal Government?

Senator CANNON. Yes; contractors with the Government, like Melpar was?

Mr. LEE. Yes. For example, we just got the contract of Airtronics. That is a research place like Melpar. We have a 2-year contract.

Senator CANNON. You have a 2-year contract there?

Mr. LEE. Yes.

Senator CANNON. Do you have any in any military installations?

Mr. LEE. No. Yes; we have Naval Receiving Station.

Senator CANNON. Where is that?

Mr. LEE. Anacostia.

Senator CANNON. What kind of a contract do you have there?

Mr. LEE. I think 2 or 3 years—2 years, with option of one other year.

Senator CANNON. Will you check that and supply that information for the record?

Mr. LEE. Yes; I will do that—2 or 3 years.

Senator CANNON. And do you have any in any officers' clubs or enlisted men's clubs?

Mr. LEE. Yes; we have Andrews officers' mess.

Senator CANNON. What length of contracts do you have there?

Mr. LEE. Yearly basis, but it has an automatic closing. We have been staying there for the last 5 years, I think.

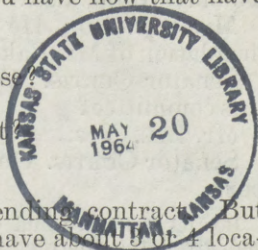
Senator CANNON. I believe that is all I have, Mr. Chairman.

Senator CURTIS. Mr. Chairman, I have one further question.

Mr. Collier was with you when you talked to Mr. Bostick?

Mr. LEE. Yes; that is correct.

Senator CURTIS. Now, did Mr. Bostick at any time give as one of the reasons for giving the contract to Capitol Vending that he did it as a favor to Tommy Webb?



Mr. LEE. With the recommendation of Mr. Baker. But he said he knew Mr. Baker through Tommy Webb. That is the way he put it.

Senator CURTIS. But did he say that it was done as a favor to Tommy Webb, also?

Mr. LEE. No. He said he gave us the contract with the recommendation of Mr. Baker. That is all he said.

Senator CURTIS. Well, you recall being interviewed by the staff of this committee?

Mr. LEE. Yes.

Senator CURTIS. On December 3. And I find in that report, staff report:

Bostick told Lee and Collier that he didn't know Baker very well, that he had given the contract to Capitol Vending as a favor for his friend Tommy Webb.

Mr. LEE. That wasn't exactly what I meant.

Senator CURTIS. But he did mention Tommy Webb?

Mr. LEE. Yes; he did.

Senator CURTIS. Did he tell you that he met Baker through Tommy Webb?

Mr. LEE. He said that.

Senator CURTIS. Did he say where?

Mr. LEE. I don't think he mentioned anything about where he met Baker.

Senator CURTIS. Did he indicate that he knew Tommy Webb quite well?

Mr. LEE. Yes. He said he knew Tommy Webb very well. I think he is a very close associate, something like that.

Senator CURTIS. A social acquaintance?

Mr. LEE. That was not the impression I received; no.

Senator CURTIS. Webb was an associate of Baker's, or an associate of Bostick?

Mr. LEE. Bostick.

Senator CURTIS. Do you know what way they were associated?

Mr. LEE. No; I don't know, sir.

Senator CURTIS. Did you ever meet Tommy Webb?

Mr. LEE. No; I never met him.

Senator CURTIS. Do you know what Tommy Webb—who they were referring to?

Mr. LEE. I understood he is still a lawyer.

Senator CURTIS. Here in Washington?

Mr. LEE. In Washington.

Senator CURTIS. Reading from that same report, Mr. Weid—now, he is with Melpar?

Mr. LEE. Yes; he is an executive vice president.

Senator CANNON. Will the Senator yield?

Is this a sworn statement?

Senator CURTIS. No; I am just asking him about it. It says here:

Weid told Lee that it was none of his concern whether or not Capitol sued Baker. Lee told Weid also that Black would also be named a defendant in the suit.

Mr. LEE. Yes; I just mentioned that.

Senator CURTIS (reading):

Weid told Lee that Black had nothing to do with the matter and seemed concerned that Black might be involved in a lawsuit.

Mr. LEE. Yes; that is the impression I received.

Senator CURTIS. Why was he concerned about Black being made a party?

Mr. LEE. I did not exactly know why he was concerned about Mr. Black. But he said, "I don't think you have any grounds to sue these people."

Senator CURTIS. Do you know whether Mr. Black was in the employ of Melpar?

Mr. LEE. I don't know. I don't think he is an employee of Melpar.

Senator CURTIS. That is all.

Mr. McLendon. Mr. Lee, were you a stockholder in Capitol before the Melpar contract was obtained?

Mr. LEE. No; I was stockholder about a month and a half ago.

Mr. McLendon. You and Mr. Collier bought out Mr. Hill?

Mr. LEE. No. I was given some shares of stocks as a contribution for my efforts. I didn't pay any cash for it.

Mr. McLendon. Who did buy Mr. Hill's interest?

Mr. LEE. Mr. Teddy Collier.

Mr. McLendon. Mr. Hill no longer has an interest in the company?

Mr. LEE. No; none whatsoever.

Mr. McLendon. But you do have an interest now, as a stockholder?

Mr. LEE. Yes.

Mr. McLendon. That is all I have.

Senator CANNON. Mr. Chairman, may I ask another question?

What do you mean you were given your stock in the company as a contribution for your efforts?

Mr. LEE. Well, I am responsible—when I took over the company the company was financially in very poor shape.

Senator CANNON. When was that?

Mr. LEE. That was 1961.

Senator CANNON. 1961?

Mr. LEE. Yes. I completely reorganized the organization, and at that time—for example, they had approximately 300 percent turnover rate, but I eliminated it to 6 percent. We haven't had a turnover the last 2 years. We have one of the best trained route men in the vending industry. We have excellent service. And we have a very well qualified staff.

Senator CANNON. So you were given the stock because of the good job you did?

Mr. LEE. That is correct.

Senator CANNON. Now, were you given this stock by Mr. Hill, who was the president?

Mr. LEE. No; the board of directors.

Senator CANNON. Pardon?

Mr. LEE. The board of directors.

Senator CANNON. Was that after Mr. Hill sold out, or before?

Mr. LEE. Before he sold out.

Senator CANNON. When was it?

Mr. LEE. I think approximately—after we lost Melpar I received the stock.

Senator CANNON. How much stock did you get in the company?

Mr. LEE. 200 shares.

Senator CANNON. And what is the value of the stock?

Mr. LEE. It has no par value.

Senator CANNON. It has no par?

Mr. LEE. No.

Senator CANNON. What is the book value?

Mr. LEE. Mr. Collier bought Mr. Hill's stock for \$15.72 per share.

Senator CANNON. \$15.72?

Mr. LEE. Yes.

Senator CANNON. Now, the lawsuit that has been filed, is that in the name of the company?

Mr. LEE. Yes.

Senator CANNON. So that if the suit is successful, you will benefit by it as a stockholder; is that correct?

Mr. LEE. In the agreement, Mr. Hill will receive 60 percent. This is the only connection he has. If we win the suit, then Mr. Hill is entitled to receive 60 percent of the proceeds.

Senator CANNON. And the other 40 percent would go to the company?

Mr. LEE. Capitol Vending.

Senator CANNON. And you as a stockholder would benefit from the 40 percent that Capitol Vending gets?

Mr. LEE. Yes.

Senator CANNON. That is all I have.

Senator CLARK. Do you know how many shares of stock are outstanding?

Mr. LEE. 2,212.

Senator CLARK. So you have a little less than a 10-percent interest?

Mr. LEE. I have approximately 8.5 percent; yes.

Senator CLARK. Does the stock pay any dividend?

Mr. LEE. No; never paid.

Senator CLARK. Is your whole compensation from the company in terms of salary?

Mr. LEE. Yes.

Senator CLARK. What is the salary?

Mr. LEE. Mine?

Senator CLARK. Yes.

Mr. LEE. I receive \$165 per week.

Senator CLARK. Thank you.

The CHAIRMAN. May I just ask a question for information? It doesn't relate to your dealings here. Do you prepare the sandwiches and the things you put in the vending machines?

Mr. LEE. Yes, sir.

The CHAIRMAN. You do that in your own kitchen?

Mr. LEE. No. We have a carryout shop which does packing and preparing food for us.

The CHAIRMAN. But you don't own that?

Mr. LEE. No.

The CHAIRMAN. You buy the food, and you just simply deliver it to your own machines, and then you make a profit on that?

Mr. LEE. That is right.

The CHAIRMAN. Any further questions.

You didn't sell any food to Melpar?

Mr. LEE. No; we only sold cookies, candies, cigarettes, and cold beverages.

The CHAIRMAN. You didn't sell any sandwiches or pies?

Mr. LEE. No; that belonged to someone else.

The CHAIRMAN. That, I believe, concludes our hearing for the day, gentlemen.

The witness may be free to go. We appreciate your coming, your testimony—we appreciate your attorney being with us.

Mr. Lee, I would like to apologize to you, sir, for having you wait so long, but the other witnesses took up much time.

Thank you.

Mr. LEE. Thank you, sir.

The CHAIRMAN. We will recess until 2 o'clock tomorrow afternoon.

(Whereupon, at 3:15 p.m., the committee recessed to reconvene at 2 p.m., Tuesday, December 10, 1963.)



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